

GAMAGARA MUNICIPALITY

FINANCIAL STATEMENTS

2011/2012

GAMAGARA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Gamagara Municipality at 30 June 2012 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2010.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) before Appropriations	11 884 976	21 268 962
Surplus / (Deficit) at the end of the Year	903 177 928	890 770 077
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.51%	32.16%
Remuneration of Councillors	1.16%	1.09%
Depreciation and Amortisation	10.69%	12.33%
Impairment Losses	0.96%	2.98%
Repairs and Maintenance	4.10%	2.82%
Interest Paid	2.51%	3.81%
Bulk Purchases	30.50%	23.58%
Contracted Services	0.27%	0.18%
Grants and Subsidies Paid	8.70%	11.09%
General Expenses	10.91%	9.97%
Current Ratio:		
Creditors Days	23	16
Debtors Days	39	29

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	889 368 820	851 725 942	4.42	-	100.00
Operating income for the year	201 728 728	187 406 090	7.64	233 260 297	(13.52)
Appropriations for the year	-	15 288 037	(100.00)	-	-
	1 091 097 548	1 054 420 068	3.48	233 260 297	367.76
Expenditure:					
Operating expenditure for the year	189 843 752	166 137 127	14.27	174 011 753	9.10
Sundry transfers	(522 875)	(1 085 879)	(51.85)	-	100.00
Closing surplus / (deficit)	900 375 414	889 368 820	1.24	59 248 544	1 419.66
	1 089 696 291	1 054 420 068	3.35	233 260 297	367.16
	1 401 257				

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	56 033 237	49 738 605	12.66	57 789 059	(3.04)
Expenditure	83 935 903	78 525 022	6.89	77 769 563	7.93
Surplus / (Deficit)	(27 902 665)	(28 786 417)	(3.07)	(19 980 504)	39.65
Surplus / (Deficit) as % of total income	(49.80)%	(57.88)%		(34.57)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	12 141 219	16 272 097	(25.39)	19 020 002	(36.17)
Expenditure	11 742 520	14 154 973	(17.04)	19 108 182	(38.55)
Surplus / (Deficit)	398 699	2 117 125	(81.17)	(88 180)	(552.14)
Surplus / (Deficit) as % of total income	3.28%	13.01%		(0.46)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	34 428 092	27 970 594	23.09	36 131 533	(4.71)
Expenditure	11 249 123	10 834 917	3.82	12 665 423	(11.18)
Surplus / (Deficit)	23 178 969	17 135 676	35.27	23 466 110	(1.22)
Surplus / (Deficit) as % of total income	67.33%	61.26%		64.95%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R52,453,797 (2011: R34,698,560). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	68 475 427	65 593 145	4.39	79 996 582	(14.40)
Expenditure	61 517 789	42 602 903	44.40	44 220 708	39.12
Surplus / (Deficit)	6 957 638	22 990 242	(69.74)	35 775 874	(80.55)
Surplus / (Deficit) as % of total income	10.16%	35.05%		44.72%	

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R5,441,721 (2011: R4,479,920). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	31 795 067	27 831 649	14.24	40 323 121	(21.15)
Expenditure	21 398 417	20 019 313	6.89	20 247 877	5.68
Surplus / (Deficit)	10 396 650	7 812 336	33.08	20 075 244	(48.21)
Surplus / (Deficit) as % of total income	32.70% (1 144 314)	28.07%		49.79%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R39,362,402 (2010/11: R23,775,574). Full details of Assets are disclosed in Notes 8, 9, N/A and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R39,362,402 was financed as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Capital Replacement Reserve	26 825 164	26 825 164	-	31 288 782	(14.27)
External Loans	-	6 793 889	(100.00)	-	-
Finance Leases	-	-	-	-	-
Grants and Subsidies	164 498 706	164 498 706	-	216 844 254	(24.14)
Public Contributions	7 603 687	7 603 687	-	-	100.00
Own Funds (Accumulated Surplus)	314 330	314 330	-	434 305	(27.62)
	199 241 887	206 035 776	(3.30)	248 567 341	(19.84)
	156 776 322	9 294 145		189 318 686	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2012	2011
Capital Replacement Reserve	13.46%	13.02%
External Loans	-	3.30%
Grants and Subsidies	82.56%	79.84%
Public Contributions	3.82%	3.69%
Own Funds (Accumulated Surplus)	0.16%	0.15%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2012	2011
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	59 248 544	-
Revenue variances	(31 531 569)	187 406 090
Expenditure variances:		
Employee Related Costs	18 000	(53 431 290)
Remuneration of Councillors	(170 603)	(1 813 014)
Collection Costs	-	-
Depreciation and Amortisation	(11 147 462)	(20 481 151)
Impairment Losses	171 454	(4 950 319)
Repairs and Maintenance	2 015 204	(4 677 810)
Interest Paid	5 760 394	(6 333 080)
Bulk Purchases	(14 509 517)	(39 178 480)
Contracted Services	265 473	(291 853)
Grants and Subsidies Paid	6 667 559	(18 422 733)
General Expenses	2 165 573	(16 557 400)
Loss on disposal of Property, Plant and Equipment	(7 068 072)	-
Actual surplus before appropriations	11 884 976	21 268 962

DETAILS	2012	2011
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	59 248 544	-
Executive and Council	(889 820)	(6 338 551)
Finance and Administration	53 130	(4 293 149)
Planning and Development	1 900	1 804 762
Health	0	62 066
Community and Social Services	(1 689 400)	1 031 651
Housing	486 879	2 160 625
Public Safety	-	-
Sport and Recreation	-	-
Environmental Protection	347 271	(864 151)
Waste Management	(287 141)	15 276 591
Roads and Transport	(384 702)	2 044 100
Water	(9 678 594)	(3 022 059)
Electricity	(28 818 236)	1 109 705
Other	(5 360 541)	(7 924 896)
Revenue Foregone	-	-
Actual surplus before appropriations	13 029 290	1 046 695
	1 144 314	(20 222 267)

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

5.2 Capital Budget:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Variance actual 2011/12 / 2010/11 R	Budgeted 2011/12 R	Variance actual/ budgeted R
Executive and Council	-	682 437	(682 437)	1 003 000	(1 003 000)
Finance and Administration	-	2 159 093	(2 159 093)	3 621 649	(3 621 649)
Planning and Development	2 846 669	87 056	2 759 613	662 301	2 184 368
Health	-	-	-	55 000	(55 000)
Community and Social Services	1 739 035	2 950 964	(1 211 928)	4 866 700	(3 127 665)
Housing	-	-	-	200 000	(200 000)
Public Safety	-	927 044	(927 044)	500 000	(500 000)
Sport and Recreation	-	9 663 130	(9 663 130)	2 355 000	(2 355 000)
Environmental Protection	-	2 550	(2 550)	-	-
Waste Management	23 874 508	13 861 276	10 013 232	23 704 000	170 508
Roads and Transport	246 458	85 983 581	(85 737 123)	858 490	(612 032)
Water	6 367 722	60 814 623	(54 446 901)	11 774 515	(5 406 793)
Electricity	5 030 075	19 609 081	(14 579 006)	7 333 000	(2 302 925)
Other	2 361 098	798	2 360 300	2 315 000	46 098
	42 465 564	196 741 631	(154 276 067)	59 248 655	(16 783 091)

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R903,177,928 (30 June 2011: R890,770,077) and is made up as follows:

Accumulated Surplus	903 177 928
	<u>903 177 928</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 18 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R37,811,217 (30 June 2011: R35,374,803).

Refer to Note 15 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R17,093,226 (30 June 2011: R16,917,779).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 16 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R5,713,235 as at 30 June 2012 (30 June 2011: R4,895,836) and is made up as follows:

Provision for Long-term Service	3 040 627
Provision for Rehabilitation of Land-fill Sites	<u>2 672 608</u>
	<u>5 713 235</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 17 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R40,199,334 as at 30 June 2012 (30 June 2011: R31,494,621) and is made up as follows:

Consumer Deposits	Note 10	3 491 987
Provisions	Note 11	1 623 252
Payables	Note 12	12 199 880
Unspent Conditional Grants and Receipts	Note 13	5 307 324
Bank Overdraft	Note 7	13 822 736
Current Portion of Long-term Liabilities	Note 15	<u>3 754 155</u>
		<u>40 199 334</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R957,761,652 as at 30 June 2012 (30 June 2011: R941,654,144).

Refer to Note 8 and Appendices "B and C" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R52,983 as at 30 June 2012 (30 June 2011: R31,151).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R46,180,305 as at 30 June 2012 (30 June 2011: R37,767,822) and is made up as follows:

Inventories	Note 2	2 066 900
Non-current Assets Held-for-Sale	Note 3	16 433 600
Receivables from Exchange Transactions	Note 4	12 338 301
Receivables from Non-exchange Transactions	Note 5	8 146 181
VAT Receivable	Note 6	2 850 848
Cash and Cash Equivalents	Note 7	4 344 476
Operating Lease Assets	Note N/A	-
Current Portion of Long-term Debtors	Note N/A	-
		<u>46 180 305</u>

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 13 and 20, and Appendix "F" for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2012

GAMAGARA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
ASSETS			
Current Assets		46 180 305	37 767 822
Inventories	2	2 066 900	1 300 936
Non-current Assets Held-for-Sale	3	16 433 600	18 745 100
Receivables from Exchange Transactions	4	12 338 301	8 885 085
Receivables from Non-exchange Transactions	5	8 146 181	4 149 193
VAT Receivable	6	2 850 848	-
Cash and Cash Equivalents	7	4 344 476	4 687 508
Non-Current Assets		957 814 635	941 685 295
Property, Plant and Equipment	8	957 761 652	941 654 144
Intangible Assets	9	52 983	31 151
Total Assets		1 003 994 940	979 453 117
LIABILITIES			
Current Liabilities		40 199 334	31 494 621
Consumer Deposits	10	3 491 987	3 069 215
Provisions	11	1 623 252	1 377 618
Payables	12	12 199 880	7 330 816
Unspent Conditional Grants and Receipts	13	5 307 324	4 985 345
VAT Payable	14	-	241 426
Bank Overdraft	7	13 822 736	1 372 516
Current Portion of Long-term Liabilities	15	3 754 155	13 117 686
Non-Current Liabilities		60 617 678	57 188 418
Long-term Liabilities	15	37 811 217	35 374 803
Retirement Benefit Liabilities	16	17 093 226	16 917 779
Non-current Provisions	17	5 713 235	4 895 836
Total Liabilities		100 817 012	88 683 039
Total Assets and Liabilities		903 177 928	890 770 077
NET ASSETS		903 177 928	890 770 077
Accumulated Surplus / (Deficit)	18	903 177 928	890 770 077
Total Net Assets		903 177 928	890 770 077

GAMAGARA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	19	17 274 067	15 998 112
Fines		99 831	226 043
Licences and Permits		648 269	634 514
Income for Agency Services		1 912 648	1 502 511
Government Grants and Subsidies Received	20	61 078 247	50 420 155
Public Contributions and Donations	21	14 227 490	19 379 347
Revenue from Exchange Transactions			
Service Charges	22	99 148 794	94 924 335
Rental of Facilities and Equipment	23	2 263 967	2 063 296
Interest Earned - External Investments	24	343 767	232 606
Other Revenue	25	4 731 648	2 025 172
Total Revenue		201 728 728	187 406 090
EXPENDITURE			
Employee Related Costs	26	56 022 187	53 431 290
Remuneration of Councillors	27	2 205 178	1 813 014
Depreciation and Amortisation	28	20 285 462	20 481 151
Impairment Losses	29	1 828 546	4 950 319
Repairs and Maintenance		7 782 096	4 677 810
Finance Costs	30	4 759 606	6 333 080
Bulk Purchases	31	57 895 517	39 178 480
Contracted Services	32	506 377	291 853
Grants and Subsidies Paid	33	16 520 623	18 422 733
General Expenses	34	20 716 233	16 557 400
Loss on Disposal of Property, Plant and Equipment		1 321 925	-
Total Expenditure		189 843 752	166 137 127
SURPLUS / (DEFICIT) FOR THE YEAR		11 884 976	21 268 962
Refer to Appendix E(1) for explanation of budget variances			

GAMAGARA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUN

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2011		
Balance at 30 June 2010	867 983 473	867 983 473
Correction of Error (Note 36)	1 517 642	1 517 642
Restated Balance	869 501 115	869 501 115
Surplus / (Deficit) for the year	21 268 962	21 268 962
Balance at 30 June 2011	890 770 077	890 770 077
2012		
Correction of Error	522 875	522 875
Restated Balance	891 292 952	891 292 952
Surplus / (Deficit) for the year	11 884 976	11 884 976
Balance at 30 June 2012	903 177 928	903 177 928

GAMAGARA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	19	17 312 811	16 643 953
Grants	20	61 400 226	55 355 443
Public Contributions and Donations	21	14 227 490	19 379 347
Service Charges	22	93 917 814	89 114 249
Interest Received	24	343 767	232 606
Other Receipts		6 515 498	19 779 501
Payments			
Employee Related Costs	26	(54 157 401)	(50 023 679)
Remuneration of Councillors	27	(2 205 178)	(1 813 014)
Interest Paid	30	(4 759 606)	(6 333 080)
Suppliers Paid		(99 944 051)	(80 443 770)
Other Payments		(3 092 274)	241 426
NET CASH FLOWS FROM OPERATING ACTIVITIES		29 559 093	62 132 983
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(39 340 570)	(37 199 839)
Purchase of Intangible Assets	9	(21 833)	(21 111)
Proceeds on Disposal of Property, Plant and Equipment		1 625 675	-
Proceeds on Disposal of Non-current Assets-held-for-Sale		2 311 500	-
Other Movement of Property, Plant and Equipment		-	(978 676)
Profit on Sale of Land		-	-
Decrease / (Increase) in Long-term Receivables	N/A	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(35 425 227)	(38 199 626)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	15	(6 927 117)	(18 914 206)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(6 927 117)	(18 914 206)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	(12 793 252)	5 019 150
Cash and Cash Equivalents at Beginning of Period		3 314 992	(1 704 158)
Cash and Cash Equivalents at End of Period		(9 478 260)	3 314 992

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. 2. 2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed across all classes of debtors.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

1. 2. 7 *Provisions and contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 20 and 37 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

GAMAGARA MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****1. BASIS OF PRESENTATION (continued)****1. 5 OFFSETTING**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
 GRAP 20 Related Party Disclosures (Revised)
 GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
 GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
 GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
 GRAP 25 Employee Benefits - issued December 2009
 GRAP 26 Impairment of Cash-generating Assets - issued March 2009
 GRAP 103 Heritage Assets - issued July 2008
 GRAP 104 Financial Instruments - October 2009
 GRAP 105 Transfers between entities under common control - issued November 2010
 GRAP 106 Transfers between entities not under common control - issued November 2010
 GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
 Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
 Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
 Financial Instruments (GRAP 104 Financial Instruments - October 2009)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Housing development fund/Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the Entity.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2. 2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

2. 3 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

2. 3.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

2. 3.2 Capitalisation Reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. 3 .3 Insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Reinsurance premiums paid to external reinsurers are regarded as an expense, and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance, and is transferred to the insurance reserve via the Statement of Changes in Net Assets as a contribution.

An actuarial valuation is obtained each year to assess the adequacy of the insurance reserve at year-end.

2. 3 .4 Compensation for occupational injuries and diseases (COID) reserve

The Entity has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993).

The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Entity deposits cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the continuing liability of the Entity as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 1 Initial Recognition (Continued)

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Infrastructure assets are stated at the depreciated replacement cost.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Previously, land and buildings were carried at cost less accumulated depreciation and impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	25-100
Roads and Paving	10 - 50		
Electricity	15 - 60	Other	
Water	20 - 100	Specialist Vehicles	5 - 20
Sewerage	20 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	3 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	3 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3. 7 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 9 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in Council's Property Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

3. 10 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 11 Impairment of assets

3. 11. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. PROPERTY, PLANT AND EQUIPMENT (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 11. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

3. 11. 2 Impairment of Non-Cash generating assets (continued)

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus.

However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

GAMAGARA MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2012**4. INTANGIBLE ASSETS (continued)****4. 3 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY**5. 1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5. INVESTMENT PROPERTY (continued)

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

5. 4 Transitional Provisions

The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 9)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss;
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost); or
- (iii) Financial guarantee contract.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

GAMAGARA MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****6. FINANCIAL INSTRUMENTS (continued)****6. 3 Initial and Subsequent Measurement****6. 3. 1 Financial Assets:**

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:***Financial liabilities***

Financial liabilities that are measured at fair value through profit or loss are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

GAMAGARA MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****6. FINANCIAL INSTRUMENTS (continued)****6. 4 Impairment of Financial Assets (continued)****Available-for-sale financial assets**

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7. INVESTMENT IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Municipality and the other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water and purified effluent are valued by using the **(FIFO / weighted average)** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Transitional provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2012 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. REVENUE RECOGNITION (continued)

10. 2. 1 *Service Charges (continued)*

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 *Pre-paid Electricity*

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10. 2. 3 *Finance income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund; and
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 *Tariff Charges*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 *Sale of Goods (including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 2. 8 *Dividends*

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10. 2. 9 *Royalties*

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

GAMAGARA MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012****10. REVENUE RECOGNITION (continued)****10. 3 Revenue from Non-exchange Transactions****10. 3. 1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

10. 3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. PROVISIONS (continued)

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and;
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12. EMPLOYEE BENEFITS (continued)

12. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

12. 3. 1 *Post-retirement Health Care Benefits:*

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the “*corridor method*”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12. 3. 2 *Long-service Allowance*

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12. 3. 3 *Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

12. 3. 4 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “*corridor method*”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24. COMPARATIVE INFORMATION

24. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

24. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

GAMAGARA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

26. 1 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

GAMAGARA MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Notes to the user:

- (1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.
(2) Final Budget: The Final Amended Budget used by the municipality, for which council approval was not obtained (i.e. adjustments/virements allowed without council approval).
(3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

30 June 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	2 066 900	-	2 066 900	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	16 433 600	-	16 433 600	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	12 338 301	-	12 338 301	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	8 146 181	-	8 146 181	0.00	0.00
VAT Receivable	-	-	-	-	2 850 848	-	2 850 848	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	4 344 476	-	4 344 476	0.00	0.00
Operating Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	957 761 652	-	957 761 652	0.00	0.00
Intangible Assets	-	-	-	-	52 983	-	52 983	0.00	0.00
Investment Property	-	-	-	-	-	-	-	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	-	-	-	0.00	0.00
Non-current Investments	-	-	-	-	-	-	-	0.00	0.00
Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	(0)	-	(0)	0.00	0.00
Total Assets	-	-	-	-	1 003 994 940	-	1 003 994 940	0.00	0.00
Current Liabilities									
Consumer Deposits	-	-	-	-	3 491 987	-	3 491 987	0.00	0.00
Provisions	-	-	-	-	1 623 252	-	1 623 252	0.00	0.00
Payables	-	-	-	-	12 199 880	-	12 199 880	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	5 307 324	-	5 307 324	0.00	0.00
VAT Payable	-	-	-	-	-	-	-	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	-	-	-	13 822 736	-	13 822 736	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	3 754 155	-	3 754 155	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	37 811 217	-	37 811 217	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	17 093 226	-	17 093 226	0.00	0.00
Non-current Provisions	-	-	-	-	5 713 235	-	5 713 235	0.00	0.00
Total Liabilities	-	-	-	-	100 817 012	-	100 817 012	0.00	0.00
Total Assets and Liabilities	-	-	-	-	903 177 928	-	903 177 928	0.00	0.00

Net Assets (Equity)									
Statutory Funds	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	-	-	-	-	903 177 928	-	903 177 928	0.00	0.00
Total Net Assets	-	-	-	-	903 177 928	-	903 177 928	0.00	0.00
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	17 167 668	-	-	17 167 668	17 274 067	-	106 399	100.62	100.62
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	0.00	0.00
Fines	363 000	-	-	363 000	99 831	-	(263 169)	27.50	27.50
Licences and Permits	683 200	-	-	683 200	648 269	-	(34 931)	94.89	94.89
Income for Agency Services	1 416 960	-	-	1 416 960	1 912 648	-	495 688	134.98	134.98
Government Grants and Subsidies Received	68 820 603	-	-	68 820 603	19 862 000	-	(48 958 603)	28.86	28.86
Public Contributions and Donations	15 808 490	-	-	15 808 490	14 227 490	-	(1 581 000)	90.00	90.00
Revenue from Exchange Transactions									
Service Charges	121 918 815	-	-	121 918 815	99 148 794	-	(22 770 021)	81.32	81.32
Rental of Facilities and Equipment	1 771 820	-	-	1 771 820	2 263 967	-	492 147	127.78	127.78
Interest Earned - External Investments	500 000	-	-	500 000	343 767	-	(156 233)	68.75	68.75
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	-	0.00	0.00
Dividends Received	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	0.00	0.00
Other Income	4 309 741	-	-	4 309 741	4 731 648	-	421 907	109.79	109.79
Other Gains on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	500 000	-	-	500 000	-	-	(500 000)	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	233 260 297	-	-	233 260 297	160 512 480	-	(72 747 817)	68.81	68.81
Expenditure									
Employee Related Costs	56 040 187	-	-	56 040 187	56 022 187	-	(18 000)	99.97	99.97
Remuneration of Councillors	2 034 575	-	-	2 034 575	2 205 178	170 603	170 603	108.39	108.39
Collection Costs	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	9 138 000	-	-	9 138 000	20 285 462	11 147 462	11 147 462	221.99	221.99
Impairment Losses	2 000 000	-	-	2 000 000	1 828 546	-	(171 454)	91.43	91.43
Repairs and Maintenance	9 797 300	-	-	9 797 300	7 782 096	-	(2 015 204)	79.43	79.43
Finance Costs	10 520 000	-	-	10 520 000	4 759 606	-	(5 760 394)	45.24	45.24
Bulk Purchases	43 386 000	-	-	43 386 000	57 895 517	14 509 517	14 509 517	133.44	133.44
Contracted Services	771 850	-	-	771 850	506 377	-	(265 473)	65.61	65.61
Grants and Subsidies Paid	23 188 182	-	-	23 188 182	16 520 623	-	(6 667 559)	71.25	71.25
Research and Development Costs	-	-	-	-	-	-	-	0.00	0.00
General Expenses	22 881 806	-	-	22 881 806	20 716 233	-	(2 165 573)	90.54	90.54
Other Losses on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	(5 746 147)	-	-	(5 746 147)	1 321 925	7 068 072	7 068 072	0.00	0.00
Total Expenditure	174 011 753	-	-	174 011 753	189 843 752	32 895 655	15 831 999	109.10	109.10
Surplus/(Deficit)	59 248 544	-	-	59 248 544	(29 331 271)	(32 895 655)	(88 579 815)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	41 216 247	41 216 247	41 216 247	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	59 248 544	-	-	59 248 544	11 884 976	8 320 592	(47 363 568)	20.06	20.06
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit for the Year)	59 248 544	-	-	59 248 544	11 884 976	8 320 592	(47 363 568)	20.06	20.06
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	486 853	516 147	-	1 003 000	-	-	(1 003 000)	0.00	0.00

Finance and Administration	1 566 968	2 054 681	-	3 621 649	-	-	(3 621 649)	0.00	0.00
Planning and Development	259 965	402 336	-	662 301	2 846 669	2 184 368	2 184 368	429.81	1 095.02
Health	-	55 000	-	55 000	-	-	(55 000)	0.00	0.00
Community and Social Services	9 266 339	(4 399 639)	-	4 866 700	1 739 035	-	(3 127 665)	35.73	18.77
Housing	-	200 000	-	200 000	-	-	(200 000)	0.00	0.00
Public Safety	1 119 600	(619 600)	-	500 000	-	-	(500 000)	0.00	0.00
Sport and Recreation	27 158 357	(24 803 357)	-	2 355 000	-	-	(2 355 000)	0.00	0.00
Environmental Protection	3 000	(3 000)	-	-	-	-	-	0.00	0.00
Waste Management	15 317 236	8 386 764	-	23 704 000	23 874 508	170 508	170 508	100.72	155.87
Roads and Transport	86 223 155	(85 364 665)	-	858 490	246 458	-	(612 032)	28.71	0.29
Water	83 133 207	(71 358 692)	-	11 774 515	6 367 722	-	(5 406 793)	54.08	7.66
Electricity	24 031 761	(16 698 761)	-	7 333 000	5 030 075	-	(2 302 925)	68.60	20.93
Other	900	2 314 100	-	2 315 000	2 361 098	46 098	46 098	101.99	262 344.21
Total Sources of Capital Funds	248 567 341	(189 318 686)	-	59 248 655	42 465 564	2 400 973	(16 783 091)	71.67	17.08
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	35 329 644	4 215 898	-	39 545 542	17 312 811	-	(22 232 731)	43.78	49.00
Grants	351 227 459	130 108 539	-	481 335 998	61 400 226	-	(419 935 772)	12.76	17.48
Public Contributions and Donations	-	-	-	-	14 227 490	14 227 490	14 227 490	0.00	0.00
Service Charges	191 189 011	53 000 000	-	244 189 011	93 917 814	-	(150 271 197)	38.46	49.12
Dividends Received	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	0.00	0.00
Interest Received	8 250 000	8 750 000	-	17 000 000	343 767	-	(16 656 233)	2.02	4.17
Other Receipts	-	(19 706 671)	-	(19 706 671)	6 515 498	26 222 169	26 222 169	0.00	0.00
Employee Related Costs	(170 034 499)	-	-	(170 034 499)	(54 157 401)	115 877 098	115 877 098	0.00	0.00
Remuneration of Councillors	(15 180 875)	-	-	(15 180 875)	(2 205 178)	12 975 697	12 975 697	0.00	0.00
Interest Paid	(520 000)	520 000	-	-	(4 759 606)	-	(4 759 606)	0.00	0.00
Suppliers Paid	(273 361 192)	(103 519 717)	-	(376 880 909)	(99 944 051)	276 936 858	276 936 858	0.00	0.00
Other Payments	(1 785 487)	(455 649)	-	(2 241 136)	(3 092 274)	-	(851 138)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(65 052 999)	(210 046 079)	-	(275 099 078)	(39 340 570)	235 758 508	235 758 508	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(21 833)	-	(21 833)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	1 625 675	1 625 675	1 625 675	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	2 311 500	2 311 500	2 311 500	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	4 000 000	-	4 000 000	-	-	(4 000 000)	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	221 529 244	-	221 529 244	-	-	(221 529 244)	0.00	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	(6 927 117)	-	(6 927 117)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	60 061 062	88 395 565	-	148 456 627	(12 793 251)	685 934 994	(161 249 878)	0.00	0.00
					1				

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

{Give short explanation of the main reason(s) for deviation here}

Non-current Assets Held-for-Sale:

{Give short explanation of the main reason(s) for deviation here}
Receivables from Exchange Transactions:
{Give short explanation of the main reason(s) for deviation here}
Receivables from Non-exchange Transactions:
{Give short explanation of the main reason(s) for deviation here}
VAT Receivable:
{Give short explanation of the main reason(s) for deviation here}
Cash and Cash Equivalents:
{Give short explanation of the main reason(s) for deviation here}
Operating Lease Receivables:
{Give short explanation of the main reason(s) for deviation here}
Current Portion of Finance Lease Receivables:
{Give short explanation of the main reason(s) for deviation here}
Current Portion of Long-term Receivables:
{Give short explanation of the main reason(s) for deviation here}
Property, Plant and Equipment:
{Give short explanation of the main reason(s) for deviation here}
Intangible Assets:
{Give short explanation of the main reason(s) for deviation here}
Investment Property:
{Give short explanation of the main reason(s) for deviation here}
Heritage Assets:
{Give short explanation of the main reason(s) for deviation here}
Biological Assets:
{Give short explanation of the main reason(s) for deviation here}
Non-current Investments:
{Give short explanation of the main reason(s) for deviation here}
Investments in Associates:
{Give short explanation of the main reason(s) for deviation here}
Finance Lease Receivables:
{Give short explanation of the main reason(s) for deviation here}
Long-term Receivables:
{Give short explanation of the main reason(s) for deviation here}
Consumer Deposits:
{Give short explanation of the main reason(s) for deviation here}
Provisions:
{Give short explanation of the main reason(s) for deviation here}
Payables:
{Give short explanation of the main reason(s) for deviation here}
Unspent Conditional Grants and Receipts:
{Give short explanation of the main reason(s) for deviation here}
VAT Payable:
{Give short explanation of the main reason(s) for deviation here}
Short-term Loans:
{Give short explanation of the main reason(s) for deviation here}
Operating Lease Liabilities:
{Give short explanation of the main reason(s) for deviation here}
Liabilities associated with Assets Held-for-Sale:
{Give short explanation of the main reason(s) for deviation here}
Bank Overdraft:
{Give short explanation of the main reason(s) for deviation here}
Current Portion of Long-term Liabilities:
{Give short explanation of the main reason(s) for deviation here}
Long-term Liabilities:
{Give short explanation of the main reason(s) for deviation here}
Retirement Benefit Liabilities:

{Give short explanation of the main reason(s) for deviation here}

Non-current Provisions:

{Give short explanation of the main reason(s) for deviation here}

Statutory Funds:

{Give short explanation of the main reason(s) for deviation here}

Reserves:

{Give short explanation of the main reason(s) for deviation here}

Accumulated Surplus / (Deficit):

{Give short explanation of the main reason(s) for deviation here}

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

{Give short explanation of the main reason(s) for deviation here}

Grants

{Give short explanation of the main reason(s) for deviation here}

Public Contributions and Donations

{Give short explanation of the main reason(s) for deviation here}

Service Charges

{Give short explanation of the main reason(s) for deviation here}

Dividends Received

{Give short explanation of the main reason(s) for deviation here}

Royalties Received

{Give short explanation of the main reason(s) for deviation here}

Interest Received

{Give short explanation of the main reason(s) for deviation here}

Other Receipts

{Give short explanation of the main reason(s) for deviation here}

Employee Related Costs

{Give short explanation of the main reason(s) for deviation here}

Remuneration of Councillors

{Give short explanation of the main reason(s) for deviation here}

Interest Paid

{Give short explanation of the main reason(s) for deviation here}

Suppliers Paid

{Give short explanation of the main reason(s) for deviation here}

Other Payments

{Give short explanation of the main reason(s) for deviation here}

Purchase of Property, Plant and Equipment:

{Give short explanation of the main reason(s) for deviation here}

Purchase of Intangible Assets:

{Give short explanation of the main reason(s) for deviation here}

Purchase of Investment Property:

{Give short explanation of the main reason(s) for deviation here}

Proceeds on Disposal of Property, Plant and Equipment:

{Give short explanation of the main reason(s) for deviation here}

Proceeds on Disposal of Intangible Assets:

{Give short explanation of the main reason(s) for deviation here}

Proceeds on Disposal of Investment Property:

{Give short explanation of the main reason(s) for deviation here}
Profit on Sale of Land:
{Give short explanation of the main reason(s) for deviation here}
Decrease / (Increase) in Non-current Investments:
{Give short explanation of the main reason(s) for deviation here}
Decrease / (Increase) in Investments in Associates:
{Give short explanation of the main reason(s) for deviation here}
Decrease / (Increase) in Long-term Receivables:
{Give short explanation of the main reason(s) for deviation here}
New Loans raised:
{Give short explanation of the main reason(s) for deviation here}
Loans repaid:
{Give short explanation of the main reason(s) for deviation here}
Increase / (Decrease) in Short-term Loans:
{Give short explanation of the main reason(s) for deviation here}
Cash and Cash Equivalents at End of the Year:
{Give short explanation of the main reason(s) for deviation here}

30 June 2011

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	9 000 000	(9 000 000)	-	-	1 300 936	-	1 300 936	0.00	14.45
Non-current Assets Held-for-Sale	-	-	-	-	18 745 100	-	18 745 100	0.00	0.00
Receivables from Exchange Transactions	38 992 000	(38 992 000)	-	-	8 885 085	-	8 885 085	0.00	22.79
Receivables from Non-exchange Transactions	4 000 000	(4 000 000)	-	-	4 149 193	-	4 149 193	0.00	103.73
VAT Receivable	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	117 000 000	(117 000 000)	-	-	4 687 508	-	4 687 508	0.00	4.01
Operating Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	1 300 000	(1 300 000)	-	-	-	-	-	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	804 820 000	(804 820 000)	-	-	941 654 144	-	941 654 144	0.00	117.00
Intangible Assets	-	-	-	-	31 151	-	31 151	0.00	0.00
Investment Property	5 000 000	(5 000 000)	-	-	-	-	-	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	-	-	-	0.00	0.00
Non-current Investments	-	-	-	-	-	-	-	0.00	0.00
Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Total Assets	980 112 000	(980 112 000)	-	-	979 453 117	-	979 453 117	0.00	99.93
Current Liabilities									
Consumer Deposits	11 700 000	(11 700 000)	-	-	3 069 215	-	3 069 215	0.00	26.23
Provisions	2 000 000	(2 000 000)	-	-	1 377 618	-	1 377 618	0.00	68.88
Payables	90 000 000	(90 000 000)	-	-	7 330 816	-	7 330 816	0.00	8.15
Unspent Conditional Grants and Receipts	-	-	-	-	4 985 345	-	4 985 345	0.00	0.00
VAT Payable	-	-	-	-	241 426	-	241 426	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	-	-	-	1 372 516	-	1 372 516	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	13 117 686	-	13 117 686	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	35 374 803	-	35 374 803	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	16 917 779	-	16 917 779	0.00	0.00
Non-current Provisions	-	-	-	-	4 895 836	-	4 895 836	0.00	0.00
Total Liabilities	103 700 000	(103 700 000)	-	-	88 683 039	-	88 683 039	0.00	85.52
Total Assets and Liabilities	876 412 000	(876 412 000)	-	-	890 770 077	-	890 770 077	0.00	101.64
Net Assets (Equity)									
Statutory Funds	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	876 412 000	(876 412 000)	-	-	890 770 077	-	890 770 077	0.00	101.64
Total Net Assets	876 412 000	(876 412 000)	-	-	890 770 077	-	890 770 077	0.00	101.64
					0		0		

FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	32 307 437	(32 307 437)	-	-	15 998 112	-	15 998 112	0.00 49.52
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	0.00 0.00
Fines	1 189 079	(1 189 079)	-	-	226 043	-	226 043	0.00 19.01
Licences and Permits	76 855	(76 855)	-	-	634 514	-	634 514	0.00 825.60
Income for Agency Services	6 347 313	(6 347 313)	-	-	1 502 511	-	1 502 511	0.00 23.67
Government Grants and Subsidies Received	400 384 917	(400 384 917)	-	-	18 174 324	-	18 174 324	0.00 4.54
Public Contributions and Donations	(8 000)	8 000	-	-	19 379 347	-	19 379 347	0.00 0.00
Revenue from Exchange Transactions								
Service Charges	186 566 938	(186 566 938)	-	-	94 924 335	-	94 924 335	0.00 50.88
Rental of Facilities and Equipment	816 205	(816 205)	-	-	2 063 296	-	2 063 296	0.00 252.79
Interest Earned - External Investments	13 000 000	(13 000 000)	-	-	232 606	-	232 606	0.00 1.79
Interest Earned - Outstanding Debtors	2 120 000	(2 120 000)	-	-	-	-	-	0.00 0.00
Dividends Received	-	-	-	-	-	-	-	0.00 0.00
Royalties Received	-	-	-	-	-	-	-	0.00 0.00
Other Income	2 705 066	(2 705 066)	-	-	2 025 172	-	2 025 172	0.00 74.87
Other Gains on Continued Operations	-	-	-	-	-	-	-	0.00 0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00 0.00
Profit on Sale of Land	4 166 767	(4 166 767)	-	-	-	-	-	0.00 0.00
Total Revenue	649 672 577	(649 672 577)	-	-	155 160 259	-	155 160 259	0.00 23.88
Expenditure								
Employee Related Costs	152 864 589	(152 864 589)	-	-	53 431 290	53 431 290	53 431 290	0.00 34.95
Remuneration of Councillors	14 483 810	(14 483 810)	-	-	1 813 014	1 813 014	1 813 014	0.00 12.52
Collection Costs	100 000	(100 000)	-	-	-	-	-	0.00 0.00
Depreciation and Amortisation	44 191 038	(44 191 038)	-	-	20 481 151	20 481 151	20 481 151	0.00 46.35
Impairment Losses	32 193 880	(32 193 880)	-	-	4 950 319	4 950 319	4 950 319	0.00 15.38
Repairs and Maintenance	66 415 744	(66 415 744)	-	-	4 677 810	4 677 810	4 677 810	0.00 7.04
Finance Costs	-	-	-	-	6 333 080	6 333 080	6 333 080	0.00 0.00
Bulk Purchases	106 200 000	(106 200 000)	-	-	39 178 480	39 178 480	39 178 480	0.00 36.89
Contracted Services	13 828 009	(13 828 009)	-	-	291 853	291 853	291 853	0.00 2.11
Grants and Subsidies Paid	29 185 553	(29 185 553)	-	-	18 422 733	18 422 733	18 422 733	0.00 63.12
Research and Development Costs	-	-	-	-	-	-	-	0.00 0.00
General Expenses	25 855 104	(25 855 104)	-	-	16 557 400	16 557 400	16 557 400	0.00 64.04
Other Losses on Continued Operations	-	-	-	-	-	-	-	0.00 0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00 0.00
Total Expenditure	485 317 727	(485 317 727)	-	-	166 137 127	166 137 127	166 137 127	0.00 34.23
Surplus/(Deficit)								
Transfers Recognised - Capital	164 354 850	(164 354 850)	-	-	(10 976 868)	(166 137 127)	(10 976 868)	0.00 0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	32 245 831	32 245 831	32 245 831	0.00 0.00
	-	-	-	-	-	-	-	0.00 0.00
Surplus/(Deficit) after Capital Transfers and	164 354 850	(164 354 850)	-	-	21 268 962	(133 891 297)	21 268 962	0.00 12.94
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	0.00 0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	0.00 0.00
Surplus/(Deficit for the Year)	164 354 850	(164 354 850)	-	-	21 268 962	(133 891 297)	21 268 962	- 12.94
CAPITAL EXPENDITURE PER FUNCTION								
Executive and Council	486 853	(486 853)	-	-	682 437	682 437	682 437	0.00 140.17
Finance and Administration	1 566 968	(1 566 968)	-	-	2 159 093	2 159 093	2 159 093	0.00 137.79
Planning and Development	259 965	(259 965)	-	-	87 056	87 056	87 056	0.00 33.49
Health	-	-	-	-	-	-	-	0.00 0.00
Community and Social Services	9 266 339	(9 266 339)	-	-	2 950 964	2 950 964	2 950 964	0.00 31.85
Housing	-	-	-	-	-	-	-	0.00 0.00
Public Safety	1 119 600	(1 119 600)	-	-	927 044	927 044	927 044	0.00 82.80
Sport and Recreation	27 158 357	(27 158 357)	-	-	9 663 130	9 663 130	9 663 130	0.00 35.58

Environmental Protection	3 000	(3 000)	-	-	2 550	2 550	2 550	0.00	85.00
Waste Management	15 317 236	(15 317 236)	-	-	13 861 276	13 861 276	13 861 276	0.00	90.49
Roads and Transport	86 223 155	(86 223 155)	-	-	85 983 581	85 983 581	85 983 581	0.00	99.72
Water	83 133 207	(83 133 207)	-	-	60 814 623	60 814 623	60 814 623	0.00	73.15
Electricity	24 031 761	(24 031 761)	-	-	19 609 081	19 609 081	19 609 081	0.00	81.60
Other	900	(900)	-	-	798	798	798	0.00	88.69
Total Sources of Capital Funds	248 567 341	(248 567 341)	-	-	196 741 631	196 741 631	196 741 631	0.00	79.15
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	483 182 365	175 716 213	-	658 898 578	16 643 953	-	(642 254 625)	2.53	3.44
Grants	-	-	-	-	55 355 443	55 355 443	55 355 443	0.00	0.00
Public Contributions and Donations	-	-	-	-	19 379 347	19 379 347	19 379 347	0.00	0.00
Service Charges	-	-	-	-	89 114 249	89 114 249	89 114 249	0.00	0.00
Dividends Received	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	0.00	0.00
Interest Received	12 630 000	370 000	-	13 000 000	232 606	-	(12 767 394)	1.79	1.84
Other Receipts	-	-	-	-	19 779 501	19 779 501	19 779 501	0.00	0.00
Employee Related Costs	-	-	-	-	(50 023 679)	-	(50 023 679)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(1 813 014)	-	(1 813 014)	0.00	0.00
Interest Paid	-	(600 000)	-	(600 000)	(6 333 080)	-	(5 733 080)	0.00	0.00
Suppliers Paid	(366 689 000)	(118 693 098)	-	(485 382 098)	(80 443 770)	404 938 328	404 938 328	0.00	0.00
Other Payments	-	-	-	-	241 426	241 426	241 426	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(150 000 000)	38 358 174	-	(111 641 826)	(37 199 839)	74 441 987	74 441 987	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(21 111)	-	(21 111)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	(978 676)	-	(978 676)	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	527 000	(527 000)	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	(18 914 206)	-	(18 914 206)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	(20 349 635)	94 624 289	-	74 274 654	5 019 151	663 250 281	(69 255 503)	6.76	0.00
					1				

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventory:

{Give short explanation of the main reason(s) for deviation here}

Non-current Assets Held-for-Sale:

{Give short explanation of the main reason(s) for deviation here}

Receivables from Exchange Transactions:

{Give short explanation of the main reason(s) for deviation here}

Receivables from Non-exchange Transactions:

{Give short explanation of the main reason(s) for deviation here}

VAT Receivable:

{Give short explanation of the main reason(s) for deviation here}
Cash and Cash Equivalents:
{Give short explanation of the main reason(s) for deviation here}
Operating Lease Receivables:
{Give short explanation of the main reason(s) for deviation here}
Current Portion of Finance Lease Receivables:
{Give short explanation of the main reason(s) for deviation here}
Current Portion of Long-term Receivables:
{Give short explanation of the main reason(s) for deviation here}
Property, Plant and Equipment:
{Give short explanation of the main reason(s) for deviation here}
Intangible Assets:
{Give short explanation of the main reason(s) for deviation here}
Investment Property:
{Give short explanation of the main reason(s) for deviation here}
Heritage Assets:
{Give short explanation of the main reason(s) for deviation here}
Biological Assets:
{Give short explanation of the main reason(s) for deviation here}
Non-current Investments:
{Give short explanation of the main reason(s) for deviation here}
Investments in Associates:
{Give short explanation of the main reason(s) for deviation here}
Finance Lease Receivables:
{Give short explanation of the main reason(s) for deviation here}
Long-term Receivables:
{Give short explanation of the main reason(s) for deviation here}
Consumer Deposits:
{Give short explanation of the main reason(s) for deviation here}
Provisions:
{Give short explanation of the main reason(s) for deviation here}
Payables:
{Give short explanation of the main reason(s) for deviation here}
Unspent Conditional Grants and Receipts:
{Give short explanation of the main reason(s) for deviation here}
VAT Payable:
{Give short explanation of the main reason(s) for deviation here}
Short-term Loans:
{Give short explanation of the main reason(s) for deviation here}
Operating Lease Liabilities/Payables:
{Give short explanation of the main reason(s) for deviation here}
Liabilities associated with Assets Held-for-Sale:
{Give short explanation of the main reason(s) for deviation here}
Bank Overdraft:
{Give short explanation of the main reason(s) for deviation here}
Current Portion of Long-term Liabilities:
{Give short explanation of the main reason(s) for deviation here}
Long-term Liabilities:
{Give short explanation of the main reason(s) for deviation here}
Retirement Benefit Liabilities:
{Give short explanation of the main reason(s) for deviation here}
Non-current Provisions:
{Give short explanation of the main reason(s) for deviation here}
Statutory Funds:
{Give short explanation of the main reason(s) for deviation here}
Reserves:

{Give short explanation of the main reason(s) for deviation here}

Accumulated Surplus / (Deficit):

{Give short explanation of the main reason(s) for deviation here}

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

{Give short explanation of the main reason(s) for deviation here}

Grants

{Give short explanation of the main reason(s) for deviation here}

Public Contributions and Donations

{Give short explanation of the main reason(s) for deviation here}

Service Charges

{Give short explanation of the main reason(s) for deviation here}

Dividends Received

{Give short explanation of the main reason(s) for deviation here}

Royalties Received

{Give short explanation of the main reason(s) for deviation here}

Interest Received

{Give short explanation of the main reason(s) for deviation here}

Other Receipts

{Give short explanation of the main reason(s) for deviation here}

Employee Related Costs

{Give short explanation of the main reason(s) for deviation here}

Remuneration of Councillors

{Give short explanation of the main reason(s) for deviation here}

Interest Paid

{Give short explanation of the main reason(s) for deviation here}

Suppliers Paid

{Give short explanation of the main reason(s) for deviation here}

Other Payments

{Give short explanation of the main reason(s) for deviation here}

Purchase of Property, Plant and Equipment:

{Give short explanation of the main reason(s) for deviation here}

Purchase of Intangible Assets:

{Give short explanation of the main reason(s) for deviation here}

Purchase of Investment Property:

{Give short explanation of the main reason(s) for deviation here}

Proceeds on Disposal of Property, Plant and Equipment:

{Give short explanation of the main reason(s) for deviation here}

Proceeds on Disposal of Intangible Assets:

{Give short explanation of the main reason(s) for deviation here}

Proceeds on Disposal of Investment Property:

{Give short explanation of the main reason(s) for deviation here}

Profit on Sale of Land:

{Give short explanation of the main reason(s) for deviation here}

Decrease / (Increase) in Non-current Investments:

{Give short explanation of the main reason(s) for deviation here}

Decrease / (Increase) in Investments in Associates:

{Give short explanation of the main reason(s) for deviation here}
Decrease / (Increase) in Long-term Receivables:
{Give short explanation of the main reason(s) for deviation here}
New Loans raised:
{Give short explanation of the main reason(s) for deviation here}
Loans repaid:
{Give short explanation of the main reason(s) for deviation here}
Increase / (Decrease) in Short-term Loans:
{Give short explanation of the main reason(s) for deviation here}
Cash and Cash Equivalents at End of the Year:
{Give short explanation of the main reason(s) for deviation here}

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2011/12		2010/11
	R		R
Net surplus/(deficit) per the statement of financial performance	11 884 976		21 268 962
Revenue from Non-exchange Transactions			
Property Rates	(106 399)		(15 998 112)
Property Rates - Penalties imposed and collection charges	-		-
Fines	263 169		(226 043)
Licences and Permits	34 931		(634 514)
Revenue for Agency Services	(495 688)		(1 502 511)
Government Grants and Subsidies Received	7 742 356		(50 420 155)
Public Contributions and Donations	1 581 000		(19 379 347)
Revenue from Exchange Transactions			
Service Charges	22 770 021		(94 924 335)
Rental of Facilities and Equipment	(492 147)		(2 063 296)
Interest Earned - External Investments	156 233		(232 606)
Interest Earned - Outstanding Debtors	-		-
Dividends Received	-		-
Royalties Received	-		-
Other Revenue	(421 907)		(2 025 172)
Other Gains on Continued Operations	-		-
Gains on Disposal of Property, Plant and Equipment	500 000		-
Profit on Sale of Land	-		-
Expenditure			
Employee Related Costs	(18 000)		53 431 290
Remuneration of Councillors	170 603		1 813 014
Collection Costs	-		-
Depreciation and Amortisation	11 147 462		20 481 151
Impairment Losses	(171 454)		4 950 319
Repairs and Maintenance	(2 015 204)		4 677 810
Finance Costs	(5 760 394)		6 333 080
Bulk Purchases	14 509 517		39 178 480
Contracted Services	(265 473)		291 853
Grants and Subsidies Paid	(6 667 559)		18 422 733
Research and Development Costs	-		-
General Expenses	(2 165 573)		16 557 400
Other Losses on Continued Operations	-		-
Loss on Disposal of Property, Plant and Equipment	7 068 072		-
Net surplus/deficit per approved budget	59 248 544		(0)



GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

1. GENERAL INFORMATION

Gamagara Municipality (the municipality) is a local government institution in Kathu, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	360 436	116 969
Property Stock	-	-
Water - at cost	1 706 464	1 183 966
Total Inventories	<u>2 066 900</u>	<u>1 300 936</u>

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R4,14 per kilolitre (2011: R3,56 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	16 433 600	18 745 100
Net Non-current Assets Held-for-Sale	<u>16 433 600</u>	<u>18 745 100</u>

3.1 Property Held-for-Sale

The municipality intends to dispose of vehicle within the next 12 months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2012.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	25 435 277	13 484 145	11 951 132
Electricity	5 855 521	1 856 042	3 999 480
Refuse	7 762 521	5 466 482	2 296 039
Sewerage	2 557 366	1 238 933	1 318 433
Water	9 259 869	4 922 688	4 337 181
Other Receivables	1 377 164	989 996	387 168
Total Receivables from Exchange Transactions	<u>26 812 441</u>	<u>14 474 141</u>	<u>12 338 301</u>

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Service Debtors:	23 297 537	14 748 839	8 548 698
Electricity	6 142 609	1 990 079	4 152 530
Refuse	6 617 492	5 311 308	1 306 184
Sewerage	2 430 627	1 501 011	929 616
Water	8 106 810	5 946 442	2 160 368
Other Receivables	1 654 591	1 318 204	336 386
Total Receivables from Exchange Transactions	24 952 128	16 067 043	8 885 085

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2012

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	2 711 039	850 038	273 697	2 020 747	5 855 521
Less: Provision for Impairment	-	-	-	1 856 042	1 856 042
Net Balances	2 711 039	850 038	273 697	164 706	3 999 480
Refuse:					
Gross Balances	787 230	225 976	289 906	6 459 409	7 762 521
Less: Provision for Impairment	-	-	-	5 466 482	5 466 482
Net Balances	787 230	225 976	289 906	992 927	2 296 039
Sewerage:					
Gross Balances	653 081	196 876	129 006	1 578 403	2 557 366
Less: Provision for Impairment	-	-	-	1 238 933	1 238 933
Net Balances	653 081	196 876	129 006	339 470	1 318 433
Water:					
Gross Balances	2 157 781	561 854	420 844	6 119 390	9 259 869
Less: Provision for Impairment	-	-	-	4 922 688	4 922 688
Net Balances	2 157 781	561 854	420 844	1 196 703	4 337 181
Other Receivables:					
Gross Balances	87 624	66 349	26 132	1 197 060	1 377 164
Less: Provision for Impairment	-	-	-	989 996	989 996
Net Balances	87 624	66 349	26 132	207 064	387 168

As at 30 June Receivables of R5,941,546 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 901 092	1 139 586	17 375 009	20 415 687
Less: Provision for Impairment	-	-	14 474 141	14 474 141
Net Balances	1 901 092	1 139 586	2 900 868	5 941 546

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R			2011 R	
As at 30 June 2011					
	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	3 393 801	428 406	306 134	2 014 268	6 142 609
Less: Provision for Impairment	-	-	-	1 990 079	1 990 079
Net Balances	3 393 801	428 406	306 134	24 189	4 152 530
Refuse:					
Gross Balances	782 810	271 351	223 053	5 340 278	6 617 492
Less: Provision for Impairment	-	-	-	5 311 308	5 311 308
Net Balances	782 810	271 351	223 053	28 970	1 306 184
Sewerage:					
Gross Balances	600 789	179 897	134 682	1 515 259	2 430 627
Less: Provision for Impairment	-	-	-	1 501 011	1 501 011
Net Balances	600 789	179 897	134 682	14 248	929 616
Water:					
Gross Balances	1 345 680	385 335	405 272	5 970 523	8 106 810
Less: Provision for Impairment	-	-	-	5 946 442	5 946 442
Net Balances	1 345 680	385 335	405 272	24 081	2 160 368
Other Receivables:					
Gross Balances	253 268	37 311	33 465	1 330 547	1 654 591
Less: Provision for Impairment	-	-	-	1 318 204	1 318 204
Net Balances	253 268	37 311	33 465	12 342	336 386

As at 30 June Receivables of R2,508,737 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	1 302 300	1 102 606	16 170 874	18 575 780
Less: Provision for Impairment	-	-	16 067 043	16 067 043
Net Balances	1 302 300	1 102 606	103 831	2 508 737

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	4 330 329	1 814 300	67 261	184 864
<u>Past Due:</u>				
31 - 60 Days	1 471 135	321 931	26 083	81 944
61 - 90 Days	891 250	166 134	22 602	59 600
+ 90 Days	13 900 945	2 080 562	391 991	1 001 510
Sub-total	20 593 659	4 382 927	507 937	1 327 919
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	20 593 659	4 382 927	507 937	1 327 919

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	5 014 148	1 170 353	191 847	-
<u>Past Due:</u>				
31 - 60 Days	1 101 259	194 131	6 910	-
61 - 90 Days	979 253	120 208	3 145	-
+ 90 Days	14 976 566	1 090 477	48 988	-
Sub-total	22 071 226	2 575 169	250 890	-
Less: Provision for Impairment	14 976 565	1 090 478	-	-
Total Trade Receivables by Customer Classification	7 094 661	1 484 691	250 890	-

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	16 067 043	13 288 097
Impairment Losses recognised	671 054	2 778 946
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(2 263 956)	-
Amounts recovered	-	-
Balance at end of year	14 474 141	16 067 043

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

4.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	14 474 141	16 067 043
Total	14 474 141	16 067 043

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	8 961 945	6 934 392	2 027 553
Payments made in Advance	(6 430)	-	(6 430)
Sundry Deposits	1 893 800	-	1 893 800
Sundry Debtors	4 231 257	-	4 231 257
Accruals	-	-	-
Recoverable Works	-	-	-
Total Receivables from Non-exchange Transactions	15 080 572	6 934 392	8 146 181

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Assessment Rates Debtors	7 847 425	5 781 127	2 066 297
Sundry Deposits	1 893 800	-	1 893 800
Sundry Debtors	189 096	-	189 096
Accruals	-	-	-
Recoverable Works	-	-	-
Total Receivables from Non-exchange Transactions	9 930 321	5 781 127	4 149 193

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2012

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	1 261 281	416 797	303 570	6 980 296	8 961 945
Less: Provision for Impairment				6 958 548	6 958 548
Net Balances	1 261 281	416 797	303 570	21 747	2 003 396
Sundry Deposits:					
Gross Balances	1 893 800	-	-	-	1 893 800
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1 893 800	-	-	-	1 893 800
Sundry Debtors:					
Gross Balances	4 231 257	-	-	-	4 231 257
Less: Provision for Impairment	-	-	-	-	-
Net Balances	4 231 257	-	-	-	4 231 257

As at 30 June Receivables of R742,115 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	416 797	303 570	6 980 296	7 700 663
Less: Provision for Impairment	-	-	6 958 548	6 958 548
Net Balances	416 797	303 570	21 747	742 115

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R			2011 R
As at 30 June 2011				
	Current	Past Due		Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>
Assessment Rates:				
Gross Balances	1 363 697	438 819	331 500	5 713 408
Less: Provision for Impairment	-	-	-	5 781 128
Net Balances	1 363 697	438 819	331 500	(67 720)
Sundry Deposits:				
Gross Balances	1 893 800	-	-	-
Less: Provision for Impairment	-	-	-	-
Net Balances	1 893 800	-	-	-
Sundry Debtors:				
Gross Balances	189 096	-	-	-
Less: Provision for Impairment	-	-	-	-
Net Balances	189 096	-	-	-

As at 30 June Receivables of R702,599 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	438 819	331 500	5 713 408	6 483 727
Less: Provision for Impairment	-	-	5 781 128	5 781 128
Net Balances	438 819	331 500	(67 720)	702 599

5.2 Reconciliation of Provision for Impairment

Balance at beginning of year	5 781 127	3 609 754
Impairment Losses recognised	1 177 421	2 171 373
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(24 157)	-
Amounts recovered	-	-
Balance at end of year	6 934 392	5 781 127

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

6. VAT RECEIVABLE

Vat Receivable	2 850 848	-
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7. CASH AND CASH EQUIVALENTS		
Current Investments	4 342 676	4 686 308
Bank Accounts	-	-
Bank Overdraft	(13 822 736)	(1 372 516)
Cash and Cash Equivalents	1 800	1 200
Total Bank, Cash and Cash Equivalents	(9 478 260)	3 314 992

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	4 342 676	4 686 308
Notice Deposits	-	-
Total Current Investment Deposits	4 342 676	4 686 308

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,90 % to 5,50 % (2011: 4,90% to 5,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,40 % to 6,53 % (2011: 5,40 % to 6,53 %)per annum.

Deposits attributable to Unspent Conditional Grants	4 342 676	4 686 308
Deposits attributable to Creditors	-	-
Total Deposits attributable to Commitments of the Municipality	4 342 676	4 686 308

7.2 Bank Accounts

Cash in Bank	-	-
Bank Overdraft	(13 822 736)	(1 372 516)
Total Bank Accounts	(13 822 736)	(1 372 516)

The Municipality has the following bank accounts:

Primary Bank Account

FIRST NATIONAL BANK -KATHU Branch - Account Number 53668 006 069:

Cash book balance at beginning of year	(1 372 516)	(4 634 674)
Cash book balance at end of year	(13 822 736)	(1 372 516)
Bank statement balance at beginning of year	11 708 166	9 020 187
Bank statement balance at end of year	792 432	11 708 166

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	1 800	1 200
Total Cash on hand in Cash Floats, Advances and Equivalents	1 800	1 200

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2011	358 460 211	12 550 607	543 760 534	13 135 483	13 185 434	561 875	941 654 144
Cost	358 460 211	21 707 465	672 646 201	17 959 885	20 130 072	1 428 580	1 092 332 414
- Completed Assets	358 460 211	21 707 465	648 514 006	17 959 885	20 130 072	1 428 580	1 068 200 219
- Under Construction	-	-	24 132 195	-	-	-	24 132 195
Correction of error (Note 39)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	0	(9 156 858)	(128 885 667)	(4 824 402)	(6 944 638)	(866 705)	(150 678 270)
- Cost	0	(9 156 858)	(128 885 667)	(4 824 402)	(6 944 638)	(866 705)	(150 678 270)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	2 190 535	538 559	12 682 235	1 099 595	2 361 098	-	18 872 023
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	117 574	19 711 533	639 440	-	-	20 468 547
- Cost	-	117 574	19 711 533	639 440	-	-	20 468 547
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(0)	(875 319)	(16 302 917)	(481 207)	(2 149 826)	(476 193)	(20 285 462)
- Based on Cost	(0)	(875 319)	(16 302 917)	(481 207)	(2 149 826)	(476 193)	(20 285 462)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	(2 947 600)	-	-	-	-	-	(2 947 600)
- Cost	(2 947 600)	-	-	-	-	-	(2 947 600)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	(21 007 201)	-	-	-	(21 007 201)
Other Movements	-	-	21 007 201	-	-	-	21 007 201
- Cost	-	-	21 007 201	-	-	-	21 007 201
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2012	357 703 146	12 331 421	559 851 386	14 393 312	13 396 706	85 681	957 761 652
Cost	357 703 146	22 363 599	705 039 970	19 698 921	22 491 170	1 428 580	1 128 725 384
- Completed Assets	357 703 146	22 246 025	682 203 442	19 059 481	22 491 170	1 428 580	1 105 131 843
- Under Construction	-	117 574	22 836 528	639 440	-	-	23 593 541
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(0)	(10 032 177)	(145 188 584)	(5 305 609)	(9 094 464)	(1 342 898)	(170 963 732)
- Cost	(0)	(10 032 177)	(145 188 584)	(5 305 609)	(9 094 464)	(1 342 898)	(170 963 732)
- Revaluation	-	-	-	-	-	-	-

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2011

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2010	362 989 811	12 767 376	526 260 169	12 454 897	13 954 734	1 038 068	929 465 056
Cost	362 989 811	21 068 711	638 732 645	16 819 960	18 622 469	1 428 580	1 059 662 176
- Completed Assets	362 989 811	21 068 711	622 985 604	16 819 960	18 622 469	1 428 580	1 043 915 134
- Under Construction	-	-	15 747 041	-	-	-	15 747 041
Correction of error (Note 39)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(0)	(8 301 335)	(112 472 476)	(4 365 063)	(4 667 734)	(390 512)	(130 197 120)
- Cost	(0)	(8 301 335)	(112 472 476)	(4 365 063)	(4 667 734)	(390 512)	(130 197 120)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	638 754	12 083 026	1 139 925	1 507 603	-	15 369 309
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	21 830 530	-	-	-	21 830 530
- Cost	-	-	21 830 530	-	-	-	21 830 530
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	0	(855 524)	(16 413 191)	(459 339)	(2 276 903)	(476 193)	(20 481 150)
- Based on Cost	0	(855 524)	(16 413 191)	(459 339)	(2 276 903)	(476 193)	(20 481 150)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	(4 529 600)	-	-	-	-	-	(4 529 600)
- Cost	(4 529 600)	-	-	-	-	-	(4 529 600)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	(13 445 376)	-	-	-	(13 445 376)
Other Movements	-	-	13 445 376	-	-	-	13 445 376
- Cost	-	-	13 445 376	-	-	-	13 445 376
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2011	358 460 211	12 550 607	543 760 534	13 135 483	13 185 434	561 875	941 654 144
Cost	358 460 211	21 707 465	672 646 201	17 959 885	20 130 072	1 428 580	1 092 332 414
- Completed Assets	358 460 211	21 707 465	648 514 006	17 959 885	20 130 072	1 428 580	1 068 200 219
- Under Construction	-	-	24 132 195	-	-	-	24 132 195
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	0	(9 156 858)	(128 885 667)	(4 824 402)	(6 944 638)	(866 705)	(150 678 270)
- Cost	0	(9 156 858)	(128 885 667)	(4 824 402)	(6 944 638)	(866 705)	(150 678 270)
- Revaluation	-	-	-	-	-	-	-

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8 PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
8.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
Other	16 433 600	18 745 100
Carrying Amount of PPE retired from active use and held for disposal	16 433 600	18 745 100
8.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
8.4 Impairment of Property, Plant and Equipment		
The amount of R0 (2011: R739,910) disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a vehicle damaged in an accident:		
Other Assets: Motor Vehicles	-	739 910
Total Impairment of Property, Plant and Equipment	-	739 910
Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.		
8.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
There was no change (2010/11: R0) in the estimated useful life of various assets of the municipality for the financial year.		
8.6 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
9 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	52 983	31 151
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2011	31 151	31 151
Cost	31 151	31 151
Accumulated Amortisation	-	-
Acquisitions:	21 833	21 833
Purchased	21 833	21 833
Internally Developed	-	-
Amortisation:	-	-
Purchased	-	-
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2012	52 983	52 983
Cost	52 983	52 983
Accumulated Amortisation	-	-
	Computer Software	Total
Carrying values at 01 July 2010	10 040	10 040
Cost	10 040	10 040
Accumulated Amortisation	-	-
Acquisitions:	21 111	21 111
Purchased	21 111	21 111
Internally Developed	-	-
Amortisation:	-	-
Purchased	-	-
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2011	31 151	31 151
Cost	31 151	31 151
Accumulated Amortisation	-	-

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
10 CONSUMER DEPOSITS		
Electricity and Water	3 491 987	3 069 215
Total Consumer Deposits	3 491 987	3 069 215
Guarantees held in lieu of Electricity and Water Deposits	1 893 800	1 893 800

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

11 PROVISIONS

Performance Bonuses	168 523	150 065
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	964 909	774 338
Current Portion of Non-Current Provisions (See Note 19):	489 820	453 215
Long-term Service	489 820	453 215
Rehabilitation of Land-fill Sites	-	-
Total Provisions	1 623 252	1 377 618

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	150 065	201 832
Contributions to provision	18 458	-
Expenditure incurred	(0)	(51 767)
Balance at end of year	168 523	150 065

Current Portion of Non-Current Provisions:

	Land-fill Sites R	Long-term Service R	Post-retirement R
30 June 2012			
Balance at beginning of year	-	453 215	774 338
Transfer from non-current	-	36 605	190 571
Expenditure incurred	-	-	-
Balance at end of year	-	489 820	964 909

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
30 June 2011		
Balance at beginning of year	-	320 464
Transfer from non-current	-	132 751
Expenditure incurred	-	-
Balance at end of year	<u>-</u>	<u>453 215</u>
	<u>453 215</u>	<u>774 338</u>

12 PAYABLES

Trade Creditors	4 999 759	952 621
Payments received in Advance	3 000 779	3 449 296
Staff Leave Accrued	2 687 969	1 828 584
Sundry Deposits	950 629	634 842
Other Creditors	560 744	465 472
Total Payables	<u>12 199 880</u>	<u>7 330 816</u>

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Conditional Grants from Government

	5 307 324	4 985 345
National Government Grants	2 466 146	1 500 000
Provincial Government Grants	2 782 969	3 405 199
Local Government Grants	-	-
Other Spheres of Government	58 210	80 146

13.2 Other Conditional Receipts

Public Contributions	-	-
	<u>-</u>	<u>-</u>
Total Conditional Grants and Receipts	<u>5 307 324</u>	<u>4 985 345</u>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 20 for the reconciliation of Grants from Government and Note 21 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

14 VAT PAYABLE

Vat Payable	<u>-</u>	<u>241 426</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15 LONG-TERM LIABILITIES		
Local Registered Stock	-	-
Annuity Loans	41 465 565	47 875 158
- Long-term portion	37 811 217	35 274 996
- Short-term portion	3 654 349	12 600 161
Finance Lease Liabilities	99 806	617 331
- Long-term portion	0	99 806
- Short-term portion	99 806	517 525
Sub-total	41 565 372	48 492 489
Less: Current Portion transferred to Current Liabilities:-	3 754 155	13 117 686
Local Registered Stock	-	-
Annuity Loans	3 654 349	12 600 161
Finance Lease Liabilities	99 806	517 525
Government Loans	-	-
Other Loans	-	-
Total Long-term Liabilities (Neither past due, nor impaired)	37 811 217	35 374 803

15.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 15 (2011: 5 to 15) years and at interest rates varying from 8.63% to 11.06% (2011: 8,56% to 12,20%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to printers and copiers with lease terms of 3 years (2011: 3 years). The effective interest rate on Finance Leases is 12% (2011: 12%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

15.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2011: 3 years). The effective interest rate on Finance Leases is 12% (2011: 12%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases:				
Within one year	101 436	563 754	99 806	517 525
In the second to fifth years, inclusive	-	101 436	-	99 806
Over five years	-	-	-	-
	101 436	665 190	99 806	617 331
Less: Future Finance Obligations	1 630	47 859	-	-
Present Value of Minimum Lease Obligations	99 806	617 331	99 806	617 331
Less: Amounts due for settlement within 12 months (Current Portion)			(99 806)	(517 525)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			-	99 806

The municipality has finance lease agreements for the following significant classes of assets:

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
- Office Equipment		
- Vehicles		

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
16 RETIREMENT BENEFIT LIABILITIES		
16.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	16 917 779	13 573 090
Contributions to Provision	774 338	546 044
Increase due to Discounting	1 511 850	1 277 408
Expenditure incurred	(595 752)	(538 284)
Actuarial Gain/Loss	(1 324 418)	2 287 815
Balance at end of Year	17 283 797	17 146 073
Transfer to Current Provisions	(190 571)	(228 294)
Total Post-retirement Health Care Benefits Liability	17 093 226	16 917 779

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	169	174
Continuation Members (Retirees, widowers and orphans)	16	16
Total Members	185	190

The liability in respect of past service has been estimated as follows:

In-service Members	10 885 991	9 029 302
Continuation Members	7 172 144	8 662 815
Total Liability	18 058 135	17 692 117

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2012 is estimated to be R774,338, whereas the cost for the ensuing year is estimated to be R964,909 (30 June 2011: R546,044 and R516,088 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.98%	8.69%
Health Care Cost Inflation Rate	6.96%	7.30%
Net Effective Discount Rate	0.96%	1.29%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	17 692 117	14 119 134
Current service costs	774 338	546 044
Interest cost	1 511 850	1 277 408
Benefits paid	(595 752)	(538 284)
Actuarial losses / (gains)	(1 324 418)	2 287 815
Present Value of Fund Obligation at the end of the Year	18 058 135	17 692 117
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	18 058 135	17 692 117
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	18 058 135	17 692 117
Unfunded Accrued Liability	18 058 135	17 692 117
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	18 058 135	17 692 117
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	774 338	546 044
Interest cost	1 511 850	1 277 408
Actuarial losses / (gains)	(1 324 418)	2 287 815
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	961 770	4 111 267
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	21 380 000	20 668 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	15 408 000	15 286 000
Refer to Note 43, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.		

17 NON-CURRENT PROVISIONS

Provision for Long Service Awards	3 040 627	2 456 308
Provision for Rehabilitation of Land-fill Sites	2 672 608	2 439 528
Total Non-current Provisions	5 713 235	4 895 836
The movement in Non-current Provisions are reconciled as follows:		
	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	2 456 308	2 439 528
Contributions to provision	453 215	-
Increase due to discounting	203 329	233 080
Expenditure incurred	(425 282)	-
Reduction due to re-measurement	389 662	-
	3 077 232	2 672 608
Transfer to current provisions	(36 605)	-
Balance at end of year	3 040 627	2 672 608

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	Long-service Awards R	Land-fill Sites R
30 June 2011		
Balance at beginning of year	2 028 223	2 226 775
Contributions to provision	320 464	0
Increase due to discounting	199 057	212 753
	<u>2 589 059</u>	<u>2 439 528</u>
Transfer to current provisions	(132 751)	-
Balance at end of year	<u><u>2 456 308</u></u>	<u><u>2 439 528</u></u>

17.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 300 (2011: 302) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R453,215, whereas the cost for the ensuing year is estimated to be R489,820 (30 June 2011: R320,464 and R453,215 respectively).

	2012 R	2011 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	6.41%	7.53%
Cost Inflation Rate	6.03%	6.23%
Net Effective Discount Rate	0.36%	1.23%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2 909 523	2 348 687
Current service costs	453 215	320 464
Interest cost	203 329	199 057
Benefits paid	(425 282)	(330 232)
Actuarial losses / (gains)	389 662	371 547
Present Value of Fund Obligation at the end of the Year	<u>3 530 447</u>	<u>2 909 523</u>
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	<u><u>3 530 447</u></u>	<u><u>2 909 523</u></u>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 530 447	2 909 523
Unfunded Accrued Liability	3 530 447	2 909 523
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	<u><u>3 530 447</u></u>	<u><u>2 909 523</u></u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	453 215	320 464
Interest cost	203 329	199 057
Actuarial losses / (gains)	389 662	371 547
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	<u><u>1 046 206</u></u>	<u><u>891 068</u></u>

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

2012	2011
R	R

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	692 971	546 477
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	624 020	495 306

17.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

18 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	-	-
Capitalisation Reserve	-	-
Donations and Public Contributions Reserve	-	-
Government Grants Reserve	-	-
Accumulated Surplus / (Deficit) due to the results of Operations	903 177 928	890 770 077
Total Accumulated Surplus	903 177 928	890 770 077

Accumulated Surplus has been restated for certain minor errors.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

19 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012 R000's	July 2011 R000's		
Residential & Commercial	3 147 329 500	3 147 329 500	20 605 791	16 276 509
Less: Revenue Foregone			(3 331 724)	(278 397)
Total Property Rates	3 147 329 500	3 147 329 500	17 274 067	15 998 112

Property Rates are levied on the value of land and improvements, which valuation is performed every four years.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
20 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	17 622 000	16 224 324
Operational Grants	17 622 000	16 224 324
Conditional Grants	43 456 247	34 195 831
National: Equitable Share	-	-
National: FMG	1 450 000	1 200 000
National: MIG	14 249 000	11 384 000
National: MSIG	790 000	750 000
National: DWAF	12 129 309	253 616
National: Minerals and Energy	2 073 000	1 948 000
National: Sport and Development	165 633	-
National: National Treasury	-	-
Provincial: Office of The Premier	-	-
Provincial: DHLGTA Grant	12 100 370	16 211 081
Provincial: Department Transport	-	2 189 224
Other Spheres of Government: Various Grants	498 935	259 911
Total Government Grants and Subsidies	61 078 247	50 420 155

Operational Grants:

20.1 National: Equitable Share	17 622 000	16 224 324
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R156 (2011: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

Conditional Grants:

20.2 National: FMG Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 450 000	1 200 000
Conditions met - transferred to Revenue: Operating Expenses	(1 450 000)	(1 200 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

20.3 National: MIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	14 249 000	11 384 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(14 249 000)	(11 384 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
20.4 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	(790 000)	(750 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

20.5 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	-	-
Current year receipts	13 261 088	253 616
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(12 129 309)	(253 616)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>1 131 778</u>	<u>-</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

20.6 National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	-	-
Current year receipts	2 073 000	1 948 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2 073 000)	(1 948 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>-</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

20.7 National: Department Sport and Development

Balance unspent at beginning of year	1 500 000	-
Current year receipts		1 500 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(165 633)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>1 334 367</u>	<u>1 500 000</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

20.8 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)

Balance unspent at beginning of year	3 405 199	-
Current year receipts	11 478 138	19 616 279
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(12 100 370)	(16 211 081)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	<u>2 782 967</u>	<u>3 405 199</u>

This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
20.9 Provincial - Department Transport		
Balance unspent at beginning of year	-	-
Current year receipts	-	2 189 224
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(2 189 224)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-
	<u>-</u>	<u>-</u>

20.10 Various Other Grants: Library Development

Balance unspent at beginning of year	80 146	-
Current year receipts	477 000	340 057
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(498 935)	(259 911)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	58 211	80 146
	<u>58 211</u>	<u>80 146</u>

20.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2012), government grant funding is expected to increase over the forthcoming three financial years.

21 PUBLIC CONTRIBUTIONS AND DONATIONS

Unconditional Contributions	50 000	513 000
Conditional Contributions	14 177 490	18 866 347
Total Public Contributions and Donations	<u>14 227 490</u>	<u>19 379 347</u>

Reconciliation of Conditional Public Contributions and Donations:

21.1 Development Contributions

Balance unspent at beginning of year	-	-
Current year receipts	14 177 490	18 866 347
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(14 177 490)	(18 866 347)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 13)	-	-
	<u>-</u>	<u>-</u>

The District Municipality receives funds from Public Developers to provide municipal services to new developments. The donations were utilised for this purpose. No funds have been withheld.

22 SERVICE CHARGES

Sale of Electricity	53 235 141	52 200 566
Sale of Water	26 108 552	21 488 505
Refuse Removal	9 406 207	8 317 103
Sewerage and Sanitation Charges	7 789 111	7 348 756
Other Service Charges	2 609 784	5 569 404
Total Service Charges	<u>99 148 794</u>	<u>94 924 335</u>

Attributable to:

Continuing Operations	99 148 794	94 924 335
Discontinued Operations	-	-
	<u>99 148 794</u>	<u>94 924 335</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
23 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	1 768 707	1 347 846
Rental Revenue from Land	19 681	451 722
Rental Revenue from Other Facilities	475 580	263 728
Total Rental of Facilities and Equipment	<u>2 263 967</u>	<u>2 063 296</u>
Attributable to:		
Continuing Operations	2 263 967	2 063 296
Discontinued Operations	-	-
	<u>2 263 967</u>	<u>2 063 296</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

24 INTEREST EARNED

External Investments:

Bank Account	-	-
Investments	343 767	232 606
	<u>343 767</u>	<u>232 606</u>

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	343 767	232 606
	<u>343 767</u>	<u>232 606</u>

25 OTHER REVENUE

Connection Fees	534 414	163 800
Entrance Fees	192 500	195 476
Insurance Claims	2 087 790	110 002
Sales	616 169	311 725
Sundry Revenue	930 168	469 547
Vacuum Tanks	370 607	774 621
Total Other Revenue	<u>4 731 648</u>	<u>2 025 172</u>
Attributable to:		
Continuing Operations	4 731 648	2 025 172
Discontinued Operations	-	-
	<u>4 731 648</u>	<u>2 025 172</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	37 467 439	34 717 770
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	8 677 330	7 592 027
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 648 738	2 806 445
Housing Benefits and Allowances	882 262	954 919
Overtime Payments	5 359 475	3 226 310
Performance Bonuses	-	-
Defined Benefit Plan Expense:	986 942	4 133 819
Current Service Cost	-	-
Interest Cost	-	-
Net Actuarial (gains)/losses recognised	986 942	4 133 819
Total Employee Related Costs	56 022 187	53 431 290
Attributable to:		
Continuing Operations	56 022 187	53 431 290
Discontinued Operations	-	-
	56 022 187	53 431 290
No advances were made to employees.		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager - C Itumeleng</i>		
Annual Remuneration	733 150	518 838
Bonus	-	-
Car and Other Allowances	247 819	235 830
Company Contributions to UIF, Medical and Pension Funds	3 646	1 497
Total	984 615	756 165
<i>Remuneration of the Chief Financial Officer - NM Grond</i>		
Annual Remuneration	463 859	518 838
Bonus	36 879	-
Car and Other Allowances	246 037	235 830
Company Contributions to UIF, Medical and Pension Funds	3 816	1 497
Total	750 591	756 165
<i>Remuneration of the Acting Manager: Community Services - GN Loeto</i>		
Annual Remuneration	574 397	527 533
Bonus	22 601	-
Car and Other Allowances	112 222	117 000
Company Contributions to UIF, Medical and Pension Funds	73 229	70 861
Total	782 449	715 394
<i>Remuneration of the Acting Manager: Corporate Services - CM Phuti</i>		
Annual Remuneration	462 893	386 491
Bonus	22 601	-
Car and Other Allowances	103 462	86 955
Company Contributions to UIF, Medical and Pension Funds	72 491	60 059
Total	661 447	533 505
<i>Remuneration of the Acting Manager: Technical Services - KN Ositang</i>		
Annual Remuneration	582 231	327 294
Bonus	22 601	-
Car and Other Allowances	103 462	94 860
Company Contributions to UIF, Medical and Pension Funds	29 039	21 661
Total	737 333	443 815

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
27 REMUNERATION OF COUNCILLORS		
Councillors	1 392 322	1 126 593
Company Contributions to UIF, Medical and Pension Funds	173 854	171 283
Other Allowances (Cellular Phones, Housing, Transport, etc)	639 003	515 138
Total Councillors' Remuneration	2 205 178	1 813 014

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and one member of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.

28 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	20 285 462	20 481 150
Amortisation: Intangible Assets	-	-
Depreciation: Investment Property	-	-
Total Depreciation and Amortisation	20 285 462	20 481 150

29 IMPAIRMENT LOSSES

29.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:	1 848 475	4 950 319
Long-term Receivables	-	-
Receivables from Exchange Transactions	671 054	2 778 946
Receivables from Non-exchange Transactions	1 177 421	2 171 373
Total Impairment Losses	1 848 475	4 950 319

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
30 FINANCE COSTS		
The municipality did not incur any Finance Cost.		
Finance Leases	46 229	104 477
Landfill Provision	233 080	212 753
Loans and Payables at amortised cost	4 480 297	6 015 850
Total Interest Paid on External Borrowings	4 759 606	6 333 080
Attributable to:		
Continuing Operations	4 759 606	6 333 080
Discontinued Operations	-	-
	4 759 606	6 333 080
31 BULK PURCHASES		
Electricity	52 453 797	34 698 560
Water	5 441 721	4 479 920
Total Bulk Purchases	57 895 517	39 178 480
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Sedibeng Water.		
32 CONTRACTED SERVICES		
Other Contracted Services	506 377	291 853
Total Contracted Services	506 377	291 853
33 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	2 240 000	1 949 997
Community Projects	11 698 992	14 131 888
Free Basic Services	2 581 631	2 340 848
Total Grants and Subsidies	16 520 623	18 422 733
Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.		
Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.		

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34 GENERAL EXPENSES		
Included in General Expenses are the following:		
Consultant Fees	738 483	375 000
Audit Fees	1 180 688	1 483 930
Advertisements	284 544	125 636
Bank Charges	390 316	324 440
Books and Publications	25 416	49 869
Chemicals	454 630	393 342
Cleaning Services	75 757	75 850
Commission Paid	922 080	750 485
Compensation for Occupational Safety	-	924 396
Fuel Expenses	2 669 604	2 121 335
Functions	134 409	90 877
Insurance	1 134 748	696 356
Internal Audit	647 927	430 000
Legal Costs	2 706 817	2 611 795
Licences and Permits	128 133	140 485
Membership Fees	281 424	-
PMS	314 014	344 537
Printing and Stationary	547 328	379 070
Professional Fees	435 145	1 828
Security	917 244	257 236
Special Programmes	151 916	112 022
Stores and Materials	72 975	114 063
Subsistence and Travelling	2 559 050	1 424 339
Sundry Expenses	1 503 027	1 003 536
Telephone and Communication	977 830	1 068 668
Training Levies	748 089	718 423
Ward Committee Activities	557 228	324 605
Water Research Levy	-	131 244
Youth Development Programmes	157 410	84 030
Inter Departmental Transfers	-	-
Total General Expenses	20 716 233	16 557 400

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

35 DISCONTINUED OPERATIONS

No operations have been discontinued.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
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36 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

36.1 Restatement of Property, Plant and Equipment and Non-current Provisions

The opening balances of Property, Plant and Equipment and Non-current Provisions have been restated to correctly reflect the historical balances due to a correction of error in the projected rehabilitation costs of the Municipality's Landfill Sites.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Non-current Provisions
Amount per AFS previously published for 2010/11	940 699 425	3 801 317
Transactions incurred for the Year 2010/11		
Adjustment for Landfill Site Provision	884 230	1 094 519
Other minor corrections to Property Plant and Equipment	70 489	-
Adjustment for Input VAT on Contracted Services		
Restated Amount currently disclosed for 2010/11	941 654 144	4 895 836

36.2 Corrections to Employee Related Costs, Councillors' Remuneration and Finance Cost

The prior year figures of Employee Related Costs and Councillors' Remuneration has been restated for some minor adjustments, while Finance Costs have been restated due to the correction of an error in the valuer of the Municipality's Landfill Site's valuation for the prior year.

The effect of the Correction of Error is as follows:

	Employee Related Costs	Councillors' Remuneration	Finance Charges
Amount per AFS previously published for 2010/11	53 412 396	1 831 908	6 122 792
Correction of error	18 894	(18 894)	210 288
Restated Amount currently disclosed for 2010/11	53 431 290	1 813 014	6 333 080

36.3 Corrections to Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated on the Statement of Changes in Net Assets due to a difference that existed between the amounts as disclosed on the Statement of Financial Position and the Statement of Changes in Net Assets, as well as for a few other minor errors that have been corrected.

The effect of the Correction of Error is as follows:

	Accumulated Surplus
Balance per Previous AFS published as at 1 March 2010 for 2010/11	867 983 473
Correction of error for differences between Statement of Financial Position and Changes in Equity	1 010 441
Correction of error for other erroneous transactions	507 201
Restated Amount currently disclosed for 2010/11	869 501 115

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	11 884 976	21 268 962
Adjustment for:		
Correction of Prior Year Errors	522 875	2 528 083
Depreciation and Amortisation	20 285 462	20 481 151
Losses / (Gains) on Disposal of Property, Plant and Equipment	1 321 925	-
Contribution to Retirement Benefit Liabilities	175 447	3 344 689
Contribution to Provisions - Current	245 634	309 278
Contribution to Provisions - Non-current	817 399	1 610 641
Operating surplus before working capital changes	35 253 719	49 542 804
Decrease/(Increase) in Inventories	(765 964)	(910 447)
Decrease/(Increase) in Receivables from Exchange Transactions	(3 453 216)	(926 756)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(3 996 988)	11 061 356
Increase/(Decrease) in Consumer Deposits	422 772	451 355
Increase/(Decrease) in Payables	4 869 064	(2 262 045)
Increase/(Decrease) in Conditional Grants and Receipts	321 979	4 935 288
Increase/(Decrease) in VAT Payable	(3 092 274)	241 426
Cash generated by / (utilised in) Operations	29 559 092	62 132 983
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 15)	41 565 372	48 492 489
Used to finance Property, Plant and Equipment - at cost	(41 565 372)	(48 492 489)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 7 and N/A)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.		

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
39.1 Unauthorised Expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening balance	9 320 078	9 320 078
Unauthorised Expenditure current year	-	647 931
Approved by Council or condoned	(9 320 078)	(647 931)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>9 320 078</u>

39.2 Fruitless and Wasteful Expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

39.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:		
Opening balance	-	-
Irregular Expenditure current year		6 058 360
Condoned or written off by Council	-	(6 028 118)
To be recovered – contingent asset (see Note 51)	-	(30 242)
Transfer to receivables for recovery	-	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>-</u>

40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	281 424	236 358
Amount Paid - current year	(281 424)	(236 358)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

40.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 180 688	1 483 930
Amount Paid - current year	(1 180 688)	(1 483 930)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
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2011
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40.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

40.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	7 011 269	5 848 848
Amount Paid - current year	(7 011 269)	(5 848 848)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
---	---

40.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	13 024 336	6 901 101
Amount Paid - current year	(13 024 336)	(6 901 101)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
---	---

40.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2012			
J Johnson	20 530	3 736	16 794
JS Kaars	2 793	68	2 725
G Vos	14 215	7 479	6 736
Total Councillor Arrear Consumer Accounts	37 538	11 283	26 255

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2011			
J Johnson	12 666	12 281	385
PD Moyo	1 094	720	374
VL Gorrah	577	165	412
Total Councillor Arrear Consumer Accounts	14 337	13 166	1 171

40.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

40.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Administration Buildings	Year 2011/2012	Various occasions (5)	Various matters	83 144.10
5 Occasions during the year amounting to R83 144.10				
Community Services	Year 2011/2012	Various occasions (3)	Various matters	18 723.89
3 Occasions during the year amounting to R18 723.89				
Corporate Support Services	Year 2011/2012	Various occasions (29)	Various matters	638 771.19
29 Occasions during the year amounting to R638 771.19				
Electrical Services	Year 2011/2012	Various occasions (17)	Various matters	438 469.19
17 Occasions during the year amounting to R438 469.19				
Financial Services	Year 2011/2012	Various occasions (14)	Various matters	206 749.09
14 Occasions during the year amounting to R206 749.09				
Health Services	Year 2011/2012	Various occasions (9)	Various matters	84 500.77
9 Occasions during the year amounting to R84 500.77				
Khai Apple	Year 2011/2012	Various occasions (6)	Various matters	71 661.74
6 Occasions during the year amounting to R71 661.74				
Library	Year 2011/2012	Various occasions (6)	Various matters	31 144.81

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
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2011
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6 Occasions during the year amounting to R31 144.81				
Office of the Mayor	Year 2011/2012	Various occasions (34)	Various matters	414 155.51
34 Occasions during the year amounting to R414 155.51				
Office of the Municipal Manager	Year 2011/2012	Various occasions (16)	Various matters	225 619.42
16 Occasions during the year amounting to R225 619.42				
Parks	Year 2011/2012	Various occasions (5)	Various matters	60 487.66
5 Occasions during the year amounting to R60 487.66				
Refuse	Year 2011/2012	Various occasions (56)	Various matters	4 752 923.39
56 Occasions during the year amounting to R4 752 923.39				
Roads	Year 2011/2012	Various occasions (11)	Various matters	94 899.32
11 Occasions during the year amounting to R94 899.32				
Sewerage	Year 2011/2012	Various occasions (37)	Various matters	1 246 171.01
11 Occasions during the year amounting to R1 246 171.01				
Technical Services	Year 2011/2012	Various occasions (2)	Various matters	35 967.60
2 Occasions during the year amounting to R35 967.60				
Traffic Services	Year 2011/2012	Various occasions (6)	Various matters	95 037.27
6 Occasions during the year amounting to R95 037.27				
Water Services	Year 2011/2012	Various occasions (34)	Various matters	681 814.18
34 Occasions during the year amounting to R681 814.18				

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

2012
R

2011
R

41 COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

24 366 425 **14 157 474**

18 670 485	14 157 474
3 413 109	-
2 282 831	-

- Approved but Not Yet Contracted for:-

Infrastructure

- **1 295 541**

-	1 295 541
---	-----------

Total Capital Commitments

24 366 425 **15 453 015**

This expenditure will be financed from:

Capital Replacement Reserve
Government Grants
Public Contributions
Own Resources

- 15 453 015

21 269 702 -

813 892 -

2 282 831 -

24 366 425 **15 453 015**

41.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 7.

42 FINANCIAL INSTRUMENTS

42.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:

Financial Assets

Classification

Receivables from Exchange Transactions

Electricity	Amortised cost	3 999 480	4 152 530
Refuse	Amortised cost	2 296 039	1 306 184
Sewerage	Amortised cost	1 318 433	929 616
Water	Amortised cost	4 337 181	2 160 368
Other Receivables	Amortised cost	387 168	336 386

Receivables from Non-exchange Transactions

Assessment Rates Debtors	Amortised cost	2 027 553	2 066 297
Sundry Deposits	Amortised cost	1 893 800	1 893 800
Sundry Debtors	Amortised cost	4 231 257	189 096

Cash and Cash Equivalents

Call Deposits	Fair value	4 342 676	4 686 308
Cash Floats and Advances	Fair value	1 800	1 200

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	3 999 480	4 152 530
Receivables from Exchange Transactions	Refuse	2 296 039	1 306 184
Receivables from Exchange Transactions	Sewerage	1 318 433	929 616
Receivables from Exchange Transactions	Water	4 337 181	2 160 368
Receivables from Exchange Transactions	Other Debtors	387 168	336 386
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2 027 553	2 066 297
Receivables from Non-exchange Transactions	Sundry Deposits	1 893 800	1 893 800
Receivables from Non-exchange Transactions	Sundry Debtors	4 231 257	189 096
		<u>20 484 481</u>	<u>13 034 278</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	4 342 676	4 686 308
Cash and Cash Equivalents	Cash Floats and Advances	1 800	1 200
		<u>4 344 476</u>	<u>4 687 508</u>
Total Financial Assets		<u>24 828 957</u>	<u>17 721 786</u>
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Payables			
Trade Creditors	Amortised cost	4 999 759	952 621
Payments received in Advance	Fair value	3 000 779	3 449 296
Staff Leave Accrued	Amortised cost	2 687 969	1 828 584
Sundry Deposits	Amortised cost	950 629	634 842
Other Creditors	Amortised cost	560 744	465 472
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	37 811 217	35 274 996
Long-term Liabilities	Finance Lease Liabilities	0	99 806
Payables	Trade Creditors	4 999 759	952 621
Payables	Staff Leave Accrued	2 687 969	1 828 584
Payables	Sundry Deposits	950 629	634 842
Payables	Other Creditors	560 744	465 472
Current Portion of Long-term Liabilities	Annuity Loans	3 654 349	12 600 161
Current Portion of Long-term Liabilities	Finance Lease Liabilities	99 806	517 525
		<u>50 764 473</u>	<u>52 374 009</u>
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance	3 000 779	3 449 296
		<u>16 823 514</u>	<u>4 821 812</u>
Total Financial Liabilities		<u>67 587 987</u>	<u>57 195 821</u>

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

42.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2012, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
30 June 2012				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	4 342 676	-	4 342 676
Bank Balances and Cash	-	1 800	-	1 800
Total Financial Assets	<u>-</u>	<u>4 344 476</u>	<u>-</u>	<u>4 344 476</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	3 000 779	-	3 000 779
Total Financial Liabilities	<u>-</u>	<u>16 823 514</u>	<u>-</u>	<u>16 823 514</u>
Total Financial Instruments	<u>-</u>	<u>(12 479 039)</u>	<u>-</u>	<u>(12 479 039)</u>

30 June 2011				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	4 686 308	-	4 686 308
Bank Balances and Cash	-	1 200	-	1 200
Total Financial Assets	<u>-</u>	<u>4 687 508</u>	<u>-</u>	<u>4 687 508</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	3 449 296	-	3 449 296
Total Financial Liabilities	<u>-</u>	<u>4 821 812</u>	<u>-</u>	<u>4 821 812</u>
Total Financial Instruments	<u>-</u>	<u>(134 304)</u>	<u>-</u>	<u>(134 304)</u>

42.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 18 and the Statement of Changes in Net Assets.

Gearing Ratio

	2012 R	2011 R
The gearing ratio at the year-end was as follows:		
Debt	55 388 108	49 865 005
Cash and Cash Equivalents	(1 800)	(1 200)
Net Debt	<u>55 386 308</u>	<u>49 863 805</u>
Equity	<u>903 177 928</u>	<u>890 770 077</u>
Net debt to equity ratio	<u>6.13%</u>	<u>5.60%</u>

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

42.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

42.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 47.8 and 47.9 to the Annual Financial Statements.

42.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

42.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 47.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2012 would have increased / decreased by R45,145 (30 June 2011: increased / decreased by R38,078). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

42.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

2012 **2011**
R **R**

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Consumer Debtors	26 812 441	24 952 128
Other Debtors	15 080 572	9 930 321
Bank, Cash and Cash Equivalents	(9 478 260)	3 314 992
Maximum Credit and Interest Risk Exposure	32 414 754	38 197 441

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

% %

Consumer Debtors:		
- Household	49.16%	63.27%
- Industrial / Commercial	10.46%	7.38%
- National and Provincial Government	1.21%	0.72%
Other Debtors:		
- Other not Classified	14.61%	5.97%
Total Credit Risk	78.61%	77.35%
Bank and Cash Balances		
First National Bank	(9 478 260)	3 314 992
Total Bank and Cash Balances	(9 478 260)	3 314 992

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	5 589 484	5 334 654
Group 2	807 270	1 041 694
	<u>6 396 755</u>	<u>6 376 348</u>
Total Receivables from Exchange Transactions	<u>6 396 755</u>	<u>6 376 348</u>
Receivables from Non-exchange Transactions		
Group 1	7 386 339	3 446 593
Total Receivables from Non-exchange Transactions	<u>7 386 339</u>	<u>3 446 593</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42 FINANCIAL INSTRUMENTS (Continued)

42.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further (cash).

42.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

dition and long-term
itoring forecast and
reduce liquidity risk

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

43 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R5,090,006 (2011: R4,657,787) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of 0,0 (30 June 2009: R0,0) million, with a funding level of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,06%.

Government Employees Pension Fund:

The scheme is subject to an actuarial valuation every three year. The last statutory valuation was performed as at 31 March 2010.

The statutory valuation performed as at 31 March 2010 revealed that the assets of the fund amounted to R801 004 million (31 March 2008: R707 042 million) million, being fully funded (31 March 2008: 100%) . The contribution rate paid by the members (7,50%) and the employers (13 %) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R8 015 (30 June 2010 R7 110,3) million, with funding levels of 98,1% (30 June 2010: 95,9%) and a nett surplus of . The contribution rate paid by Council (19,18%) is sufficient to fund the benefits accruing from the fund in the future.

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The actuarial valuation report at 30 June 2011 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R 386 570 million, net investment reserve of R15 285 million and a funding level of 104.1%.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 930,837 (30 June 2010: R7 740,205) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2009. The latest

The interim valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 123. 672 020) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of R6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

44 RELATED PARTY TRANSACTIONS

44.1 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

44.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

44.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 26 and 27 respectively, to the Annual Financial Statements.

GAMAGARA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

The municipality did not buy goods from any companies which can be considered to be Related Parties.

2012	2011
R	R

45 CONTINGENT LIABILITIES

45.1 Court Proceedings:

20 000 000	21 650 000
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(i) Dispute on Services Rendered: There was a claim for outstanding payment of services rendered by Enviroserv.	-	1 650 000
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(ii) Licensing fees and penalties: Outstanding money to be paid in the licensing of Deben and Olifantshoek Landfill Sites, as well as penalties.	20 000 000	20 000 000
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46 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

47 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

48 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

49 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 36).

50 GOING CONCERN ASSESSMENT

Management is of the opinion that the Municipality will remain a going concern and has therefore prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
GAMAGARA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2011	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2012
	R				R	R	R	R
ANNUITY LOANS								
DBSA	5 842 000	10.76%	101509	30/06/2015	3 276 188	-	694 300	2 581 888
DBSA	24 000 000	8.63%	101796	30/06/2021	18 845 059	-	1 247 406	17 597 653
DBSA	5 925 000	9.56%	102759	30/06/2012	1 693 999	-	1 693 999	-
DBSA	4 931 247	9.56%	102760	30/06/2012	1 409 878	-	1 409 878	-
DBSA	10 269 085	9.56%	61006899	30/06/2021	10 269 085	-	648 752	9 620 334
DBSA	12 247 722	11.06%	61006937	30/06/2021	12 247 722	-	582 031	11 665 690
Total Annuity Loans	63 215 053				47 741 930	-	6 276 365	41 465 565
CAPITAL LEASE LIABILITIES								
SciFin	1 428 580			01/08/2012	617 331	-	517 525	99 806
Total Capital Lease Liabilities	1 428 580				617 331	-	517 525	99 806
TOTAL EXTERNAL LOANS	64 643 633				48 359 261	-	6 793 889	41 565 372

ANNUITY LOANS:

DBSA:

Structured unsecured 10 year loan for provision of infrastructure. Original loan capital of R5,8 million is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 15 year loan for provision of infrastructure. Original loan capital of R24 million is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 5 year loan for provision of infrastructure. Original loan capital of R5,9 million is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 5 year loan for provision of infrastructure. Original loan capital of R4,9 million is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 10 year loan for provision of infrastructure. Original loan capital of R10,2 million is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 10 year loan for provision of infrastructure. Original loan capital of R12,2 million is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
GAMAGARA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
<i>Land:</i>													
Total Land and Buildings	380 167 676	2 729 095	117 574	-	(2 947 600)	380 066 745	9 156 858	875 319	-	-	10 032 177	370 034 567	-
	380 167 676	2 729 095	117 574	-	(2 947 600)	380 066 745	9 156 858	875 319	-	-	10 032 177	370 034 567	-
Infrastructure													
<i>Electricity:</i>													
Total Electricity	175 046 046	4 827 985	202 090	5 853 224	-	185 929 345	33 056 997	3 875 997	-	-	36 932 994	148 996 350	-
<i>Roads:</i>													
Total Roads	149 391 512	-	246 458	352 378	-	149 990 347	42 152 942	2 997 284	-	-	45 150 226	104 840 122	-
<i>Sewerage:</i>													
Total Sewerage	82 574 941	1 689 280	22 185 228	14 098 009	-	120 547 458	8 404 774	2 347 449	-	-	10 752 223	109 795 235	-
<i>Water:</i>													
Total Water	241 501 508	5 543 338	824 385	703 589	-	248 572 819	45 270 954	7 082 187	-	-	52 353 141	196 219 678	-
	648 514 006	12 060 602	23 458 160	21 007 201	-	705 039 969	128 885 667	16 302 917	-	-	145 188 584	559 851 385	-
Community Assets													
Total Community Assets	17 959 885	1 302 304	436 732	-	-	19 698 921	4 824 402	481 207	-	-	5 305 609	14 393 312	-
	17 959 885	1 302 304	436 732	-	-	19 698 921	4 824 402	481 207	-	-	5 305 609	14 393 312	-
Leased Assets													
Copiers	1 428 580	-	-	-	-	1 428 580	866 705	476 193	-	-	1 342 898	85 681	-
	1 428 580	-	-	-	-	1 428 580	866 705	476 193	-	-	1 342 898	85 681	-
Other Assets													
Total Other Assets	20 130 072	2 361 098	-	-	-	22 491 170	6 944 638	2 149 826	-	-	9 094 464	13 396 706	-
	20 130 072	2 361 098	-	-	-	22 491 170	6 944 638	2 149 826	-	-	9 094 464	13 396 706	-
Total	1 068 200 219	18 453 099	24 012 466	21 007 201	(2 947 600)	1 128 725 384	150 678 270	20 285 462	-	-	170 963 732	957 761 652	-

GAMAGARA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	31 151	21 833	-	-	-	52 983	-	-	-	-	-	52 983	-
	31 151	21 833	-	-	-	52 983	-	-	-	-	-	52 983	-
Total Asset Register	1 068 231 370	18 474 931	24 012 466	21 007 201	(2 947 600)	1 128 778 368	150 678 270	20 285 462	-	-	170 963 732	957 814 635	-

APPENDIX C
GAMAGARA MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Administration	1 428 580	-	-	-	-	1 428 580	866 705	476 193	-	-	1 342 898	85 682
Planning and Development	380 167 676	2 729 095	117 574	-	(2 947 600)	380 066 745	9 156 858	875 319	-	-	10 032 177	370 034 567
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	17 959 885	1 302 304	436 732	-	-	19 698 921	4 824 402	481 207	-	-	5 305 609	14 393 312
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	82 574 941	1 689 280	22 185 228	14 098 009	-	120 547 458	8 404 774	2 347 449	-	-	10 752 223	109 795 235
Roads and Transport	149 391 512	-	246 458	352 378	-	149 990 347	42 152 942	2 997 284	-	-	45 150 226	104 840 122
Water	241 501 508	5 543 338	824 385	703 589	-	248 572 819	45 270 954	7 082 187	-	-	52 353 141	196 219 678
Electricity	175 046 046	4 827 985	202 090	5 853 224	-	185 929 345	33 056 997	3 875 997	-	-	36 932 994	148 996 350
Other	20 130 072	2 361 098	-	-	-	22 491 170	6 944 638	2 149 826	-	-	9 094 464	13 396 706
Total	1 068 200 219	18 453 099	24 012 466	21 007 201	(2 947 600)	1 128 725 384	150 678 270	20 285 462	-	-	170 963 732	957 761 653

APPENDIX D
GAMAGARA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R		R	R	R
16 923 423	25 485 903	(8 562 480)	Executive and Council	18 364 906	20 517 904	(2 152 999)
18 740 600	15 661 945	3 078 654	Finance and Administration	20 581 131	14 677 292	5 903 840
167 794	2 203 393	(2 035 598)	Planning and Development	312 125	4 309 200	(3 997 075)
7 525	1 043 813	(1 036 289)	Health	3 565	1 151 441	(1 147 876)
10 254 059	13 216 213	(2 962 154)	Community and Social Services	12 254 966	19 274 098	(7 019 132)
16 272 097	14 154 973	2 117 125	Housing	12 141 219	11 742 520	398 699
-	-	-	Public Safety	-	-	-
-	-	-	Sport and Recreation	-	-	-
(83 386)	6 313 029	(6 396 415)	Environmental Protection	(4 769)	6 125 781	(6 130 550)
27 970 594	10 834 917	17 135 676	Waste Management	34 428 092	11 249 123	23 178 969
3 924 916	7 597 688	(3 672 772)	Roads and Transport	2 158 642	7 746 901	(5 588 259)
27 831 649	20 019 313	7 812 336	Water	31 795 067	21 398 417	10 396 650
65 593 145	42 602 903	22 990 242	Electricity	68 475 427	61 517 789	6 957 638
(196 327)	7 003 037	(7 199 364)	Other	2 362 671	10 133 286	(7 770 615)
187 406 090	166 137 127	21 268 962	Sub-Total	202 873 042	189 843 752	13 029 290
			Revenue Foregone			
187 406 090	166 137 127	21 268 962	Total	202 873 042	189 843 752	13 029 290

APPENDIX E(1)
GAMAGARA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	17 274 067	17 167 668	106 399	0.62	
Fines	99 831	363 000	(263 169)	(72.50)	
Licences and Permits	648 269	683 200	(34 931)	(5.11)	
Income for Agency Services	1 912 648	1 416 960	495 688	34.98	
Government Grants and Subsidies	61 078 247	68 820 603	(7 742 356)	(11.25)	
Public Contributions and Donations	14 227 490	15 808 490	(1 581 000)	(10.00)	
Service Charges	99 148 794	121 918 815	(22 770 021)	(18.68)	
Rental of Facilities and Equipment	2 263 967	1 771 820	492 147	27.78	
Interest Earned - External investments	343 767	500 000	(156 233)	(31.25)	
Other Income	4 731 648	4 309 741	421 907	9.79	
Gains on Disposal of Property, Plant and Equipment	-	500 000	(500 000)	(100.00)	
Profit on Sale of Land	-	5 746 147	(5 746 147)	(100.00)	
Total Revenue	201 728 728	239 006 444	(37 277 716)	(15.60)	
EXPENDITURE					
Employee Related Costs	56 022 187	56 040 187	(18 000)	(0.03)	
Remuneration of Councillors	2 205 178	2 034 575	170 603	8.39	
Collection Costs	-	-	-	0.00	
Depreciation	20 285 462	9 138 000	11 147 462	121.99	
Impairment Losses	1 828 546	2 000 000	(171 454)	(8.57)	
Repairs and Maintenance	7 782 096	9 797 300	(2 015 204)	(20.57)	
Interest Paid	4 759 606	10 520 000	(5 760 394)	(54.76)	
Bulk Purchases	57 895 517	43 386 000	14 509 517	33.44	
Contracted Services	506 377	771 850	(265 473)	(34.39)	
Grants and Subsidies Paid	16 520 623	23 188 182	(6 667 559)	(28.75)	
General Expenses	20 716 233	22 881 806	(2 165 573)	(9.46)	
Loss on disposal of Property, Plant and Equipment	1 321 925	(5 746 147)	7 068 072	(123.01)	
Total Expenditure	189 843 752	174 011 753	15 831 999	9.10	
NET SURPLUS / (DEFICIT) FOR THE YEAR	11 884 976	64 994 691	(53 109 715)	(81.71)	

APPENDIX E(2)
GAMAGARA MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR 2011/12

Description	2011/12 Actual	2011/12 Under Construction	2011/12 Total Additions	2011/12 Budget	2011/12 Variance	2011/12 Variance
	R	R	R	R	R	%
Executive and Council	-	-	-	1 003 000	(1 003 000)	(100.00)
Finance and Administration	-	-	-	3 621 649	(3 621 649)	(100.00)
Planning and Development	2 729 095	117 574	2 846 669	662 301	2 184 368	329.81
Health	-	-	-	55 000	(55 000)	(100.00)
Community and Social Services	1 302 304	436 732	1 739 035	4 866 700	(3 127 665)	(64.27)
Housing	-	-	-	200 000	(200 000)	(100.00)
Public Safety	-	-	-	500 000	(500 000)	(100.00)
Sport and Recreation	-	-	-	2 355 000	(2 355 000)	(100.00)
Environmental Protection	-	-	-	-	-	0.00
Waste Management	1 689 280	22 185 228	23 874 508	23 704 000	170 508	0.72
Roads and Transport	-	246 458	246 458	858 490	(612 032)	(71.29)
Water	5 543 338	824 385	6 367 722	11 774 515	(5 406 793)	(45.92)
Electricity	4 827 985	202 090	5 030 075	7 333 000	(2 302 925)	(31.40)
Other	2 361 098	-	2 361 098	2 315 000	46 098	1.99
Total	18 453 099	24 012 466	42 465 564	59 248 655	(16 783 091)	(28.33)

THE YEAR ENDED 30 JUNE 2012

Explanation of Significant Variances greater than 5% versus Budget

APPENDIX F
GAMAGARA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	-	6 877 000.00	6 094 000.00	-	4 571 000.00	-	266 399.00	698 277.00	545 198.00	1 095 256.00	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	-	1 450 000.00	-	-	-	-	237 504.00	600 712.00	239 981.00	371 803.00	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	-	5 000 000.00	-	9 249 000.00	-	-	1 589 829.00	2 052 431.00	3 065 747.00	2 644 326.00	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	-	4 257 874.00	-	-	4 655 921.00	-	-	2 499 610.00	1 022 795.00	4 259 611.00	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	-	-	1 010 000.00	1 063 000.00	-	-	2 073 000.00	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	-	790 000.00	-	-	-	-	469 100.00	320 900.00	-	-	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Housing	Province	-	-	-	9 770 282.00	1 707 856.00	-	2 364 947.00	2 917 608.00	4 019 068.00	2 422 318.00	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sports & Arts	Province	-	-	477 000.00	-	-	-	91 419.00	82 522.00	123 652.00	201 343.00	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		-	18 374 874.00	7 581 000.00	20 082 282.00	10 934 777.00	-	7 092 198.00	9 172 060.00	9 016 441.00	10 994 657.00	-	-	-	-	-			